2023 ANNUAL REPORT

LETTER TO OUR SHAREHOLDERS

As we concluded 2023 operational results gave us a lot to be excited about. Although there was a focus through the year on the US run-off — measured growth, profitable underwriting and an increase in investment income drove material growth in operating earnings, particularly from predictable sources. We continue to make meaningful progress towards our goal of being a North American specialty insurer of scale. Continued expansion into the US provides a significant opportunity to build on the success of our Canadian franchise, following three consecutive years of record operating earnings. The expansion of fronting in Canada continues its momentum, and importantly demonstrated a significant contribution to earnings. US fronting showed ongoing growth, especially in Excess and Surplus ("E&S") lines, as favourable market conditions sustained.

We continued to expand and enhance our infrastructure in 2023. We announced the acquisition of a treasury-listed surety platform and built a partnership with a significant US surety player, expanding our geographic presence in a line with which we have demonstrable expertise. Our team maintained their focus on the culture, underwriting and specialized expertise that has made us preferred partners of our distribution networks for many years. We continued to invest in our future, yielding a more robust operational platform, a more diversified earnings base and demonstrating the benefits of increased scale.

Our platform generated insurance revenue approaching $3 billion, and $110 million in operational earnings. Canada delivered strong growth, reaching $825 million in insurance revenue for the year, as new products, a book acquisition and geographic expansion added to momentum in established lines. Our US fronting platform delivered another year of growth with $2 billion in insurance revenue and reaching $80 million in fronting fees. We continued our expansion of primary lines in the US, as our US surety team produced $25 million in insurance revenue and we set the foundation for a US corporate insurance practice which is expected to generate its first premium in 2024. We remain confident that our combination of growth, underwriting capabilities and an increasing contribution from recurring income will support resilient, diversified earnings for years to come.

Our US surety acquisition (which we anticipate closing shortly) and continued growth in the business catalyzed a $53 million capital raise in August. The majority of this capital is earmarked for the expansion of US surety.

We maintain financial flexibility through liquid securities held at the group level, a revolving credit facility and capacity afforded by our 10.8% debt to capital ratio.

We continued to invest in our team, adding respected senior professionals in North American surety, US corporate insurance and other operational roles. Our governance function continues to evolve as well, welcoming Anik Lanthier to our group board.

Finally, we have substantially resolved the run-off of a US program which drove higher reinsurance costs this year. We feel optimistic that the organization is on stronger footing following the experience, having demonstrated our resilience in the last year.

FINANCIAL HIGHLIGHTS

For the full year, net income rose to $67 million, or $1.42 per share, which was impacted by run-off reinsurance costs. On an operating basis, net income of $110 million, or $2.34 per share reflects strong growth in insurance revenue and increased profitability across our entities. The increase in operating net income was significant, growing by 32% for the year. This was supported by growth in net investment income of 105%. Book value per share rose to $13.02, a 21% increase over 2022, supported by strong earnings, investment income and our August equity raise.

Specialty P&C operations delivered strong performance in 2023, with 38% growth in insurance revenue, following very strong growth from 2019 to 2022. In the context of this topline momentum, expansion of our capital base, and uncertain operating environments, we are proud to have generated a 20% operating return on equity, although acknowledge a lower 12% reported return on equity which was impacted by costs of the run-off.

Our balance sheet is conservatively managed and resilient. With approximately $620 million in equity and growing financial flexibility, we are well-positioned to fund our path forward.

INSURANCE OPERATIONS

In Canada, we achieved a full year combined ratio of 81%, which coupled with investment income drove a strong 29% operating return on equity. The expansion of fronting broadened touchpoints with distribution partners, supporting growth in established lines. The integration of our Sovereign surety acquisition as well as growth in US surety shows the early promise of a North-American surety practice. Disciplined navigation of evolving markets and expansion of distribution relationships drove growth in corporate insurance, which was accompanied by strong underwriting. Extension of our fronting model generates attractive fee-based earnings to complement profitable underwriting. Our warranty line returned to growth in the year despite headwinds in the global automobile market and higher interest rates.

We continued to make progress in growing our US surety platform, adding to our presence through a partnership with an established US surety player and expanding teams in Connecticut, Denver, Philadelphia and Chicago. We are excited at the trajectory of this platform in the context of our planned acquisition and anticipate expanding a core product line in a geography with promising infrastructure tailwinds.

In our US operations, momentum in the Excess and Surplus markets continued and insurance revenue grew 42% for the year. New partnerships combined with maturation of existing programs allowed us to achieve $2 billion of insurance revenue in the year. The platform sustained operating profitability and generated a 14% Operating ROE despite higher reinsurance costs and the negative impact on claims from certain programs put into run-off in 2021 and 2022. Although on a net basis this resulted in a higher than usual loss ratio, on a gross basis our programs performed in line with expectations, with a 69% gross loss ratio for the year.

The reinsurance markets were stressed leading into 2023, which exacerbated the costs of our run-off program. The impacts were acutely observed in catastrophe exposed lines, where capacity is limited and prices for reinsurance remain elevated. We were successful in navigating renewals and growing our programs despite the state of the market — a testament to the strength of our portfolio and partners. Heading into year end, we observed more available capacity, although no significant change in pricing. Excess and Surplus lines may

continue to benefit as business shifts away from admitted structures. We remain confident in our base of premiums and expect normalized growth in the years ahead.

INVESTMENTS

Interest rate volatility presented opportunities for a growing portfolio focused on investment grade bonds to enhance risk-adjusted returns. We benefitted from a short duration posture and reduced allocations to equities and preferred shares, locking in attractive and capital efficient positions for years to come. Growth in our portfolio and opportunistic deployment was impactful in the year, producing a 105% increase in net investment income while unrealized gains supported our capital position.

Our portfolios remain primarily allocated to high quality, short and medium duration investment grade bonds, complemented by small allocations to high yield, preferred shares, and equities. We have conservative allocations to alternatives including infrastructure debt, real estate and senior secured credit products. These are asset classes that we feel are both appropriate and attractive for insurance portfolios.

STRATEGIC PRIORITIES

We remain steadfast in our focus on achieving profitable growth in specialty P&C markets. We continue to expand our reach in Canada and the US supported by a history of disciplined underwriting, growing investment returns and enhanced risk management infrastructure.

Our platforms have demonstrated the benefit of a combined North American presence, acting as complementary sources of revenue and best practices for one another. Our groups increasingly share opportunities and partners have recognized our broader offering. As we gain market share in one geography, our presence and capabilities elsewhere offer opportunities to generate new business. Amplifying this trend is the significant growth in our capital base, delivering scale and significance in a way we have not experienced before.

With the continued development of fronting, integration of US surety and US corporate insurance, and ongoing expansion of our core lines we have ample and attractive opportunities to grow. Although we continue to prioritize organic opportunities, we do evaluate inorganic expansion where it could be impactful and additive to our franchise.

We maintain a focus on culture and recognize the importance of our people. We're proud of our Canadian subsidiary for once again being recognized as one of Canada's Top Small and Medium Employers, demonstrating the strong culture our organization has fostered through incredible growth. That culture permeates our company and our growing team in Oklahoma was also recognized as a Top Workplace by The Oklahoman.

CLOSING

The industry continues to expect hardening trends in insurance to mitigate, although not reverse in 2024. It is plausible that balance returns to the market sooner, given strong returns for reinsurers, healthy portfolio returns and higher market yields. Our primary platform continues to grow, although we see stronger competition for business as the hard market retreats.

2023 was a rebuilding year as we moved beyond the write down in Q4 2022. In Canada, momentum was maintained. The platform is establishing itself as a larger player in the North American market and we ended the year with $825 million of insurance revenue. The US fronting team was successful in defending our book but were less aggressive in building new business as we navigated run-off and infrastructure enhancements. Greater scale in underwriting accompanied by a larger investment portfolio and additional talent positions us well for the next phase.

We remain committed to specialized underwriting, as well as conservative reserving. It is our hope that volatility will continue to provide opportunities to win business and strengthen our reputation. We are planning for growth — albeit slower than prior years. With a strong capital base and greater scale, we feel optimistic for the years ahead.

Sincerely,

David Clare

President and CEO
Trisura Group Ltd.
February 08, 2024

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS AND INFORMATION

This letter to shareholders contains "forward-looking information" within the meaning of Canadian provincial securities laws and "forward-looking statements" within the meaning of applicable Canadian securities legislation. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, include statements regarding the operations, business, financial condition, expected financial results, performance, prospects, opportunities, priorities, targets, goals, ongoing objectives, strategies and outlook of our Company and its subsidiaries, as well as the outlook for North American and international economies for the current fiscal year and subsequent periods, and include words such as "expects," "likely," "anticipates," "plans," "believes," "estimates," "seeks," "intends," "targets," "projects," "forecasts", "potential" or negative versions thereof and other similar expressions, or future or conditional verbs such as "may," "will," "should," "would" and "could".

Although we believe that our anticipated future results, performance or achievements expressed or implied by the forward-looking statements and information are based upon reasonable assumptions and expectations, the reader should not place undue reliance on forward-looking statements and information because they involve known and unknown risks, uncertainties and other factors, many of which are beyond our control, which may cause the actual results, performance or achievements of our Company to differ materially from anticipated future results, performance or achievement expressed or implied by such forward-looking statements and information.

Factors that could cause actual results to differ materially from those contemplated or implied by forward-looking statements include, but are not limited to: the impact or unanticipated impact of general economic, political and market factors in the countries in which we do business; the behaviour of financial markets, including fluctuations in interest and foreign exchange rates; global equity and capital markets and the availability of equity and debt financing and refinancing within these markets; insurance risks including pricing risk, concentration risk and exposure to large losses, and risks associated with estimates of loss reserves; strategic actions including dispositions; the ability to complete and effectively integrate acquisitions into existing operations and the ability to attain expected benefits; changes in accounting policies and methods used to report financial condition (including uncertainties associated with critical accounting assumptions and estimates); the ability to appropriately manage human capital; the effect of applying future accounting changes; business competition; operational and reputational risks; technological change; changes in government regulation and legislation within the countries in which we operate; governmental investigations; litigation; changes in tax laws; changes in capital requirements; changes in reinsurance arrangements and availability and cost of reinsurance; ability to collect amounts owed; catastrophic events, such as earthquakes, hurricanes or pandemics; the possible impact of international conflicts and other developments including terrorist acts and cyberterrorism; risks associated with reliance on distribution partners, capacity providers and program administrators; third party risks; risk that models used to manage the business do not function as expected; climate change risk; risk of economic downturn; risk of inflation; risks relating to cyber-security; risks relating to credit ratings; and other risks and factors detailed from time to time in our documents filed with securities regulators in Canada.

We caution that the foregoing list of important factors that may affect future results is not exhaustive. When relying on our forward-looking statements and information, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Except as required by law, Trisura Group Ltd. undertakes no obligation to publicly update or revise any forward-looking statements or information, whether written or oral, that may be as a result of new information, future events or otherwise.

Trisura Group Ltd.

Management's Discussion and Analysis

For the year ended December 31, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our Management's Discussion and Analysis ("MD&A") is provided to enable a reader to assess the results of operations and financial condition of Trisura Group Ltd. for the three and twelve months ended December 31, 2023. This MD&A should be read in conjunction with our audited Consolidated Financial Statements for the year ended December 31, 2023.

Unless the context indicates otherwise, references in this MD&A to the "Company" refer to Trisura Group Ltd. and references to "us", "we" or "our" refer to the Company and its subsidiaries and consolidated entities.

The Company's Consolidated Financial Statements are in Canadian dollars and are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. In this MD&A, all references to "$" are to Canadian dollars unless otherwise specified or the context otherwise requires.

This MD&A is dated February 8, 2024. Additional information is available on SEDAR+ at www.sedarplus.ca.

TABLE OF CONTENTS

Section 1 – Overview 3
- Our Business

Section 2 – Financial Highlights 4
Section 3 – Financial Review 5
- Income Statement Analysis
- Balance Sheet Analysis
- Share Capital
- Liquidity
- Capital

Section 4 – Performance Review 11
- Specialty P&C
- Canada
- United States
- Corporate and Other

Section 5 – Investment Performance Review 22
- Overview
- Summary of Cash and Investments
- Investment Performance

Section 6 – Outlook & Strategy 25
- Industry
- Outlook and Strategy
- Environmental, Social, and Governance

Section 7 – Risk Management 29
- Corporate Governance
- Risks and Uncertainties

Section 8 – Other Information 43
- Ratings
- Cash Flow Summary
- Segmented Reporting
- Contractual Obligations
- Financial Instruments
- Accounting Estimates

Section 9 – Summary of Results 46
- Selected Quarterly Results
- Selected Annual Results

Section 10 – Accounting and Disclosure Matters 48
- Changes in Accounting Policies
- Disclosure Controls and Procedures
- Internal Controls over Financial Reporting
- Operating Metrics
- Non-IFRS Financial Measures and Other Financial Measures
- Special Note Regarding Forward-Looking Information
- Glossary of Abbreviations

SECTION 1 – OVERVIEW

OUR BUSINESS

Our Company is a leading specialty insurance provider operating in the Surety, Risk Solutions, Corporate Insurance, and Fronting business lines of the market. Our operating subsidiaries include a Canadian specialty insurance company and a US specialty insurance company. Our Canadian specialty insurance subsidiary started writing business in 2006 and has a strong underwriting track record over its 17 years of operation, with a newly launched US Surety platform integrated with our Canadian team. Our US specialty insurance company has participated as a hybrid fronting entity in the non-admitted markets since early 2018 and is licensed as an excess and surplus lines insurer in Oklahoma with the ability to write business across 50 states. Our US specialty insurance company can also write business on an admitted basis in 49 states. We continue the process of applying for licenses in the remaining state.

Our Company has an experienced management team, strong partnerships with brokers, program administrators and reinsurers, and a specialized underwriting focus. We plan to grow by building our business in the US and Canada, both organically and through strategic acquisitions. We believe our Company can capitalize on favourable market conditions through our multi-line and multi-jurisdictional platform.

SECTION 2 – FINANCIAL HIGHLIGHTS IN Q4 2023

- ✓ Insurance revenue of $755.0 million, increased by 26.7% compared to Q4 2022, demonstrating continued momentum across the organization.
- ✓ Net income of $11.3 million was substantially higher than Q4 2022 as a result of a write down on reinsurance recoverables in Q4 2022 related to a program in Trisura US. Operating net income[(1)] of $25.9 million increased 10.0% over Q4 2022 as a result of growth and higher net investment income.
- ✓ EPS of $0.23 in the quarter was greater than Q4 2022 due to the write down on reinsurance recoverables in Q4 2022. Operating EPS[(2)] of $0.54 in the quarter increased by 8.0% demonstrating the profitability of core operations[(3)] through continued growth despite an increase in shares outstanding.
- ✓ ROE[(4)] was 12.2% for the period ended Q4 2023 demonstrating an increase compared to recent quarters. Operating ROE[(2)] of 20.0% increased compared to Q4 2022 and benefitted from growth and increasing scale in the US, as well as higher Net investment income.
- ✓ BVPS[(4)] of $13.02 increased by 21.0% over Q4 2022, primarily the result of earnings in the Canadian operations, higher (Net) investment income and the equity raise in Q3 2023.
- ✓ Canada:
  - Insurance revenue growth of 31.9% in the quarter reflects increased market share, expansion of distribution and fronting relationships, and growth of US Surety.
  - Insurance service result of $20.8 million in the quarter grew 25.6% compared to Q4 2022 as a result of growth across all lines and profitable underwriting performance.
  - Combined ratio[(2)] of 85.8% was strong, although slightly higher than Q4 2022, as claims experienced normal quarterly volatility and business mix drove a slightly higher expense ratio.
  - Net income of $20.9 million drove a 29.1% ROE. Operating net income of $19.4 million increased 37.7% over Q4 2022 and resulted in a 29.2% Operating ROE as growth and higher Net investment income drove profitability.
- ✓ United States:
  - Insurance revenue of $527.5 million in the quarter grew by 24.6% over Q4 2022, as a result of favourable market conditions, and maturation of existing programs.
  - Fee income[(1)] in the quarter of $22.2 million reflects a larger premium base and a 14.5% increase over Q4 2022.
  - Deferred fee income[(1)], a precursor to earned fees reached $39.9 million.
  - Net loss of $8.9 million was a result of costs of the run-off program. Operating net income of $5.8 million, which excludes the impact of the run-off program, was lower than Q4 2022 as a result of a higher loss ratio and resulted in a 13.6% Operating ROE, demonstrating the continued potential of the business.
  - 2023 represented a transition for the US fronting platform as we navigated the costs of run-off. We are proud of the team for continuing to scale and mature through a volatile market and excited to have put the experience behind us.
- ✓ Net investment income growth of 71.0% in the quarter was driven by higher yields and a larger investment portfolio. Net investment income grew 105.3% for the full year.

(1) These are non-IFRS financial measures. Non-IFRS financial measures are not standardized financial measures under the financial reporting framework used to prepare the financial statements of the Company to which the measure relates and might not be comparable to similar financial measures disclosed by other companies. See Section 10 – Accounting and Disclosure Matters for details and an explanation of how it provides useful information to an investor.
(2) These are non-IFRS ratios. Non-IFRS ratios are not standardized under the financial reporting framework used to prepare the financial statements of the Company to which the ratio relates and might not be comparable to similar ratios disclosed by other companies. See non-IFRS ratios in Section 10 – Accounting and Disclosure Matters for details on composition, as well as each non-IFRS financial measure used as a component of the ratio, and an explanation of how it provides useful information to an investor.
(3) See Section 10 – Accounting and Disclosure Matters, definition of Operating Net Income, for further explanation of "core operations".
(4) These are supplementary financial measures. Refer to Section 10 – Accounting and Disclosure Matters for its composition.

SECTION 3 – FINANCIAL REVIEW

INCOME STATEMENT ANALYSIS

Table 3.1

	Q4 2023	Q4 2022[1]	$ variance	% variance	2023	2022[1]	$ variance	% variance
Insurance revenue	754,953	595,742	159,211	26.7%	2,789,187	2,014,915	774,272	38.4%
Insurance service expenses	(615,167)	(474,120)	(141,047)	29.8%	(2,245,246)	(1,742,601)	(502,645)	28.8%
Net expense from reinsurance contracts assets	(135,627)	(175,384)	39,757	(22.7%)	(458,606)	(243,128)	(215,478)	88.6%
Insurance service result	4,159	(53,762)	57,921	(107.7%)	85,335	29,186	56,149	192.4%
Net investment income	16,206	9,479	6,727	71.0%	51,669	25,162	26,507	105.3%
Net gains (losses)	8,132	4,112	4,020	97.8%	(9,658)	8,802	(18,460)	nm
Net credit impairment reversals	926	-	926	nm	895	-	895	nm
Total investment income	25,264	13,591	11,673	85.9%	42,906	33,964	8,942	26.3%
Finance (expenses) income from insurance contracts	(27,716)	(7,400)	(20,316)	nm	(75,875)	4,582	(80,457)	nm
Finance income (expenses) from reinsurance contracts	23,511	7,000	16,511	nm	65,759	(2,765)	68,524	nm
Net insurance finance (expenses) income	(4,205)	(400)	(3,805)	nm	(10,116)	1,817	(11,933)	nm
Net financial result	21,059	13,191	7,868	59.6%	32,790	35,781	(2,991)	(8.4%)
Net Insurance and financial result	25,218	(40,571)	65,789	nm	118,125	64,967	53,158	81.8%
Other income	727	733	(6)	(0.8%)	7,654	6,593	1,061	16.1%
Other operating expenses	(10,346)	(9,742)	(604)	6.2%	(32,947)	(29,171)	(3,776)	12.9%
Other finance costs	(565)	(588)	23	(3.9%)	(2,409)	(2,644)	235	(8.9%)
Income (loss) before income taxes	15,034	(50,168)	65,202	(130.0%)	90,423	39,745	50,678	127.5%
Income tax expense	(3,714)	9,458	(13,172)	(139.3%)	(23,482)	(11,950)	(11,532)	96.5%
Net income (loss)	11,320	(40,710)	52,030	nm	66,941	27,795	39,146	140.8%
Operating net income[2]	25,875	23,519	2,356	10.0%	110,201	83,250	26,951	32.4%
Other comprehensive income (loss)	8,452	(3,953)	12,405	nm	6,328	(47,707)	54,035	nm
Comprehensive income (loss)	19,772	(44,663)	64,435	nm	73,269	(19,912)	93,181	nm
Earnings per common share – diluted – in dollars	0.23	(0.87)	1.10	nm	1.42	0.63	0.79	125.4%
Operating earnings per common share – diluted – in dollars	0.54	0.50	0.04	8.0%	2.34	1.88	0.46	24.5%
Book value per share – in dollars	13.02	10.76	2.26	21.0%	13.02	10.76	2.26	21.0%
ROE	12.2%	6.5%	n/a	5.7pts	12.2%	6.5%	n/a	5.7pts
Operating ROE[3]	20.0%	19.6%	n/a	0.4pts	20.0%	19.6%	n/a	0.4pts

(1) *Comparatives have been restated to conform with adoption of new accounting standards, see Section 10 – Accounting and Disclosure Matters.*
(2) *This is a non-IFRS financial measure. See Table 10.2.1 in Section 10 – Accounting and Disclosure Matters for details on composition and an explanation of how it provides useful information to an investor.*
(3) *This is a non-IFRS ratio. See Table 10.4 in Section 10 – Accounting and Disclosure Matters for details on composition, as well as each non-IFRS financial measure used as a component of this ratio, and an explanation of how it provides useful information to an investor.*

Refer to Section 10 – Accounting and Disclosure Matters for details regarding the composition of the line items presented below.

Insurance Revenue

Momentum continued with an increase for the quarter and full year periods driven by expansion of Fronting and by growth in Surety, supported by Corporate Insurance and Risk Solutions Warranty. Insurance revenue increased in the quarter and full year periods, as a result of growth in premiums across those lines.

Insurance Service Expenses

Insurance service expenses increased in the quarter and full year periods as a result of growth in the business, as commissions and claims expense grew accordingly. A higher loss ratio in Trisura US in Q4 and full year 2023 compared to 2022 also contributed to the growth of Insurance service expenses.

Net Expense from Reinsurance Contracts Assets

Net expense from reinsurance contracts assets increased in the YTD period as a result of growth in the business, and in particular from Canadian and US Fronting. In Q4 2023, Net expense from reinsurance contract assets was lower than the prior year, largely as result of Trisura US where Net expense from reinsurance contract assets was particularly large in Q4 2022 as a result of the impact of the write down.

Insurance Service Result

Insurance service result increased compared to Q4 and full year 2022 as a result of the impact of reinsurance recoverable write down in Q4 2022. Excluding the impact of the run-off program and the Q4 2022 write down of reinsurance recoverables, Insurance service result grew for the full years as a result of growth in the business, but was lower for the quarter as a result of a higher loss ratio at Trisura US.

Net Investment Income, Net Losses and Net Credit Impairment Losses

See Section 5 – Investment Performance Review.

Finance (Expenses) Income from Insurance and Reinsurance Contracts

Finance (expenses) income from insurance contracts was an expense in the quarter reflecting the unwinding of discounted claims as well as the downward shift in yield curves in the quarter, which impacted the rates at which claims were discounted. Finance (expenses) income from insurance contracts was greater than Q4 2022, as liabilities for incurred claims has grown and the impact of the unwinding of discounted claims was larger, in part due to higher yield curves. For the YTD period, Finance (expenses) income from insurance contracts was in an expense, compared to the same period in 2022 when the finance income from insurance contracts was a recovery. The recovery position in 2022 was because of the impact of upward movement in the yield curve in that period, which exceeded the impact of the unwind of discounted claims in that period and resulted in a net recovery position.

Finance (Expenses) Income from Insurance and Reinsurance Contracts (continued)

Finance (expenses) income from reinsurance contracts was a recovery in the quarter reflecting the unwinding of discounted ceded claims, as well as the downward shift in yield curves in the quarter, which impacted the rates at which ceded claims were discounted. Finance (expenses) income from reinsurance contracts was greater than Q4 2022, as assets for incurred claims have increased and the impact of the unwinding of discounted ceded claims was larger, in part due to higher yield curves. For the YTD period, Finance (expenses) income from reinsurance contracts was in a recovery, compared to the same period in 2022 when the Finance (expenses) income from reinsurance contracts was an expense. The expense position in 2022 was because of the impact of upward movement in the yield curve in that period, which exceeded the impact of the unwind of discounted ceded claims in that period and resulted in a net expense position.

Net Insurance and Financial Result

Net insurance and financial result increased in the quarter and YTD periods compared to 2022 as a result of the impact of the 2022 write down or reinsurance recoverables, as well as growth in the business. Without the impact of the run-off program in 2023 and the write down on reinsurance recoverables in 2022, Net Insurance and Financial Result would have grown, largely as a result of grown in the business.

Other Income

Other income consists of fees for surety services. Other income was consistent with the prior quarter and increased for the full year period compared to 2022 due to growth in the number of surety accounts. Q1 is the most significant quarter for surety fee income.

Other Operating Expenses

Other operating expenses were higher in the quarter and full year than the prior year, as a result of growth in the business, offset by the movement in the value of share based compensation ("SBC"), which was particularly impactful to 2022.

The growth in Other operating expenses was impacted by SBC, as the change in value of our share price led to an increase in the value of certain outstanding options and other forms of SBC in Q4 2023 and a decrease in the value of SBC for the full year 2023. In 2022, movement in the value of SBC led to a larger decrease in Other operating expenses in Q4 and full year 2022. Other operating expenses excluding SBC[(1)] increased 52.3% in the quarter and 25.9% for the full year period reflective primarily of growth in the Canadian and US operations. The movement in SBC was mitigated through a program using derivatives, the movement of which is presented in Net losses. The impact of Corporate and other costs, net of mitigation is shown in Section 4 – Performance Review, Corporate and Other.

Income Tax Expense

Income tax expense was in an expense position in Q4 2023, reflecting positive Net Income Before Tax in the period. Income tax expense was in a recovery position in Q4 2022 reflecting the loss associated with the write down on reinsurance recoverables in that quarter. For the full year period, income tax expense was greater than the prior year, reflecting higher income before tax. The consolidated effective tax rate was greater in Q4 2023 than Q4 2022 as in Q4 2022 losses were greater in Trisura US, which has a lower statutory tax rate. For the full year period, the effective tax rate was lower in 2023 than in 2022 as 2022 included a larger amount of tax recoveries, determined at a lower effective tax rate. For additional information, see Note 20 of the Consolidated Financial Statements.

Net Income, Operating net income

Net income was greater in the quarter and full year periods as a result of the write down of reinsurance recoverables in Q4 2022 as well as growth in the business. Operating net income increased in the quarter and full year periods as a result of growth in Canada and the US and strong underwriting performance in Canada, as well as growth in Net investment income.

(1) Other operating expenses excluding SBC is a non-IFRS financial measure, see Table 10.1 in Section 10 – Accounting and Disclosure Matters for details on composition.

Other Comprehensive Income (Loss)

See Section 5 – Investment Performance Review.

EPS, Operating EPS, BVPS, ROE, Operating ROE

EPS of $0.23 in the quarter and EPS of $1.42 for the full year period increased compared to 2022, as 2022 was impacted by the write down of reinsurance recoverables, but also as a result of growth in the business and greater investment income. The increase was mitigated by losses associated with the run-off program in Trisura US, and a greater number of shares outstanding.

Operating EPS is meant to reflect EPS, adjusted for certain items to normalize earnings in order to reflect our North American specialty core operations. A detailed reconciliation between EPS and Operating EPS is included in Section 10 – Accounting and Disclosure Matters, under Non-IFRS ratios. Operating EPS grew by 8.0% in the quarter, despite an increase in the number of shares outstanding, primarily due to growth in Specialty P&C earnings in Canada and supported by higher Net investment income. Full year Operating EPS increased by 24.5% due to the same factors as well as growth in the US.

BVPS increased by 21.0% over Q4 2022 primarily as a result of strong earnings in the Canadian operations, higher Net investment income and the equity raise in Q3 2023.

ROE increased compared to the prior year primarily due to the write down on reinsurance recoverables in Q4 2022. Operating ROE was comparable as strong profitability from core operations continued.

BALANCE SHEET ANALYSIS

Table 3.2

As at	December 31, 2023	December 31, 2022 (1)	$ variance
Cash and cash equivalents	604,016	406,368	197,648
Investments	890,157	765,375	124,782
Other Assets	53,712	61,852	(8,140)
Reinsurance contract assets	2,003,589	1,527,799	475,790
Capital assets and intangible assets	16,657	19,529	(2,872)
Deferred tax assets	16,314	17,942	(1,628)
Total assets	3,584,445	2,798,865	785,580
Insurance contract liabilities	2,769,951	2,165,103	604,848
Other liabilities	120,065	65,111	54,954
Loan payable	75,000	75,000	-
Total liabilities	2,965,016	2,305,214	659,802
Shareholders' equity	619,429	493,651	125,778
Total liabilities and shareholders' equity	3,584,445	2,798,865	785,580

(1) Comparatives have been restated to conform with adoption of new accounting standards, see Section 10 – Accounting and Disclosure Matters.

Cash and cash equivalents has increased as a result of cash generated from operating activities as well as the equity offering in Q3 2023. Investments have increased as a result of additional cash deployed to the investment portfolio. Other assets have decreased as a result of a reduction in unsettled trades and movement in derivative assets. Reinsurance contract assets have increased largely as a result of growth in the business in the US. These recoverables are monitored in accordance with the Company's reinsurance risk management policies and generally, are owing from reinsurers with A.M. Best ratings of A- or higher or who otherwise have posted an agreed upon level of collateral.

BALANCE SHEET ANALYSIS (CONTINUED)

Insurance contract liabilities have increased as a result of growth in Insurance revenue in both Canada and the US. Other liabilities have increased as a result of holding more deposits in trust related to the Surety business line, as well as an increase in taxes payable.

Shareholders' equity at December 31, 2023 has increased from December 31, 2022 due to movement in retained earnings as a result of positive net income in the period, a well as other comprehensive income from unrealized gains on the investment portfolio and the impact of the equity offering in Q3 2023.

SHARE CAPITAL

Our authorized share capital consists of: (i) an unlimited number of common shares; (ii) an unlimited number of non-voting shares; and (iii) an unlimited number of preference shares (issuable in series).

On July 14, 2022, the Company completed a public offering of 4,512,000 common shares.

On August 21, 2023, the Company completed a public offering of 1,620,000 common shares. As at December 31, 2023, 47,579,035 common shares were issued and outstanding.

As at December 31, 2023, 1,598,078 options were outstanding which could be converted to common shares (including unvested options). As at December 31, 2023, 172,225 RSU's were outstanding which could be converted to common shares (including unvested RSUs).

LIQUIDITY

Both short-term and long-term liquidity sources are available to the Company. Short-term liquidity sources immediately available include: (i) cash and cash equivalents (see Balance Sheet); (ii) our portfolio of highly rated, highly liquid investments (see Note 4 of the Consolidated Financial Statements); (iii) cash flow from operating activities which include receipt of insurance revenue and investment income (see Statements of Cash Flows) and; (iv) bank loan facilities including our revolving credit facility (see Note 16 of the Consolidated Financial Statements). These funds are used primarily to pay claims and operating expenses, service the Company's Loan payable and purchase investments to support claims reserves and capital requirements.

CAPITAL

The MCT ratio[1] of Trisura's regulated Canadian operating subsidiary was 251% as at December 31, 2023 (233% as at December 31, 2022), which comfortably exceeds the 150% regulatory requirements prescribed by OSFI, as well as the Company's internal target[2].

As at December 31, 2023, the RBC[3] of the regulated insurance companies of Trisura US are expected to be in excess of the various company action levels of the states in which they are licensed. Calculations are finalized as statutory returns are completed.

The Company is well-capitalized and we expect to have sufficient capital to meet our regulatory capital requirements, and fund our operations.

The Company's debt-to-capital ratio[4] of 10.8% as at December 31, 2023 (13.2%[5] as at December 31, 2022), was below the Company's long-term target of 20.0%.

The Company continues to maintain a $50 million revolving credit facility. In Q3 2023, the Company issued a Letter of Credit through its banking facility, which lowered the undrawn capacity by $10 million USD. The letter of credit was drawn in relation to a partnership arrangement to support the growth of the Company's US Surety operations and remains outstanding.

(1) This measure is calculated in accordance with the Office of the Superintendent of Financial Institutions Canada's (OSFI's) Guideline A, Minimum Capital Test.
(2) This target is in accordance with OSFI's Guideline A-4, Regulatory Capital and Internal Capital Targets.
(3) This measure is calculated in accordance with the National Association of Insurance Commissioners, ("NAIC") Risk Based Capital ("RBC") for Insurers Model Act.
(4) This is a supplementary financial measure. See Section 10 – Accounting and Disclosure Matters for its composition.
(5) Q4 2022 balances have been restated to conform with adoption of new accounting standards, see Section 10 – Accounting and Disclosure Matters.

SECTION 4 – PERFORMANCE REVIEW

SPECIALTY P&C

Our Specialty P&C business consists of Surety, Risk Solutions Warranty, Canadian Fronting and Corporate Insurance business lines which we primarily write in Canada, referred to as Trisura Canada, and a broad range of admitted and surplus lines in the US written through a fronting model, referred to as Trisura US or US Fronting.

The table below provides a split of our Specialty P&C Insurance revenue for the fourth quarter and YTD 2023 and 2022, respectively. Although US Fronting comprises the majority of our insurance revenue, growth was substantial in Canada.

Table 4.1

Insurance revenue	Q4 2023	Q4 2022(1)	% growth over prior year	2023	2022(1)	% growth over prior year
Surety	36,393	27,521	32.2%	142,421	101,378	40.5%
Risk Solutions Warranty	28,371	24,788	14.5%	109,172	99,347	9.9%
Canadian Fronting	120,367	81,048	48.5%	407,700	282,373	44.4%
Corporate Insurance	42,277	39,015	8.4%	165,541	143,537	15.3%
US Fronting	527,545	423,370	24.6%	1,964,353	1,388,280	41.5%
Total Insurance revenue	754,953	595,742	26.7%	2,789,187	2,014,915	38.4%

(1) Comparatives have been restated to conform with adoption of new accounting standards, see Section 10 – Accounting and Disclosure Matters.

CANADA

The table below presents financial highlights for our Canadian operations.

Table 4.2

	Q4 2023	Q4 2022(1)	$ variance	% variance	2023	2022(1)	$ variance	% variance
Insurance revenue	227,408	172,372	55,036	31.9%	824,834	626,635	198,199	31.6%
Insurance service expense	(174,689)	(134,667)	(40,022)	29.7%	(543,362)	(443,539)	(99,823)	22.5%
Net expense from reinsurance contracts assets	(31,966)	(21,180)	(10,786)	50.9%	(191,464)	(115,297)	(76,167)	66.1%
Insurance service result	20,753	16,525	4,228	25.6%	90,008	67,799	22,209	32.8%
Net investment income	7,889	5,030	2,859	56.8%	25,214	14,761	10,453	70.8%
Net gains (losses)	4,504	(492)	4,996	nm	(3,523)	2,375	(5,898)	nm
Net credit impairment reversals	318	-	318	nm	299	-	299	nm
Other income(2)	727	733	(6)	(0.8%)	7,654	6,593	1,061	16.1%
Net income	20,929	13,740	7,189	52.3%	73,002	57,603	15,399	26.7%
Operating net income(3)	19,356	14,060	5,296	37.7%	73,244	53,707	19,537	36.4%
Loss ratio	20.6%	19.8%		0.8pts	16.1%	16.3%		(0.2pts)
Expense ratio	65.2%	63.6%		1.6pts	65.0%	64.4%		0.6pts
Combined ratio(4)	85.8%	83.4%		2.4pts	81.1%	80.7%		0.4pts
ROE	29.1%	29.8%		(0.7pts)	29.1%	29.8%		(0.7pts)
Operating ROE(5)	29.2%	27.8%		1.4pts	29.2%	27.8%		1.4pts

(1) *Comparatives have been restated to conform with adoption of new accounting standards, see Section 10 – Accounting and Disclosure Matters.*
(2) *Other income, refers to fees for surety services.*
(3) *This is a non-IFRS financial measure. See Table 10.2.2 in Section 10 – Accounting and Disclosure Matters for details on composition and an explanation of how it provides useful information to an investor.*
(4) *This is a non-IFRS ratio. See Section 10 – Accounting and Disclosure Matters, Table 10.5, and Other Financial Measures for details on its composition, as well as each non-IFRS financial measure used as a component of this ratio, and an explanation of how it provides useful information to an investor.*
(5) *Operating ROE excludes the impact of certain items to normalize earnings in order to reflect our Canadian operations.*

Q4 and YTD 2023 Insurance revenue growth continued across all lines, led by Canadian Fronting and Surety. Growth in Corporate Insurance for the quarter and full year has continued to benefit from stable policy retentions and pricing, growth in programs, and expansion of our distribution partnerships. Growth in Surety reflects continued expansion of our market share, the acquisition of Sovereign Insurance's surety business in 2022, and strong premium growth from our Surety business in the US. Growth in Surety for the full year included the impact of certain non-recurring items, which have been excluded from operating net income. In the quarter and YTD, Risk Solutions Warranty insurance revenue grew slowly reflecting growth in automobile sales.

Insurance service expense was higher in Q4 2023 than Q4 2022, as a result of growth in the business, as well as a slightly higher loss ratio and expense ratio. The higher expense ratio is largely related to a shift in the mix of business towards certain Fronting programs with higher commissions. Insurance service expense grew YTD 2023 as a result of growth in claims and commission expense, driven by growth in insurance revenue, and in particular due to growth in Fronting. The loss ratio and combined ratio were roughly the same as the prior year.

Net expense from reinsurance contracts assets increased for the quarter and YTD periods as reinsurance ceded increased compared to the prior period, reflecting growth in the business.

Insurance service result for Q4 and YTD 2023 increased over Q4 and YTD 2022 as a result of growth in the business, and strong underwriting profitability. The Loss ratio increased slightly in the quarter as a result of slightly higher loss ratios in both Surety and Corporate Insurance. The loss ratio was approximately the same as the prior year for the YTD period, which demonstrates the importance of considering results on an annual rather than quarterly basis. The Q4 and YTD Expense ratios were slightly higher than the prior periods, largely reflecting a shift in mix of business towards certain fronted programs with higher commission ratios.

Other income, which reflects fees for surety services, was approximately the same as prior year in Q4, which reflects a similar level of fee-generating activity in that prior. For the full year 2023 compared to 2022, surety fees have grown as the number of accounts increased which was positively impacted by the acquisition of the Sovereign Surety portfolio.

The Combined ratios for Q4 and YTD 2023 remained strong though were slightly higher than the prior year primarily as a result of a higher expense ratio.

See Section 5 – Investment Performance Review for a discussion on Net investment income, Net gains and Net credit impairment losses.

Net income grew in Q4 and full year 2023 compared to Q4 and full year 2022 as a result of growth in the business, a similar loss ratio, and for the full year, the impact of certain non-recurring surety revenues. Operating net income removes the impact of net gains/losses on the investment portfolio, which includes unrealized losses that prior to the implementation of IFRS 9 were recognized in OCI, as well as the impact of non-recurring surety revenue and the impact of yield curve movement on claims. Operating net income was comparable to net income and grew for the quarter and YTD periods as a result of growth in the business and strong underwriting and net investment income. Revenue generation combined with disciplined underwriting demonstrated the benefit of our specialty focus and the ability of our platform to perform through volatile markets.

Surety

The main products offered by our Surety business line are:

- ✓ Contract surety bonds, such as performance and labour and material payment bonds, primarily for the construction industry;
- ✓ Commercial surety bonds, such as license and permit, tax and excise, and fiduciary bonds, which are issued on behalf of commercial enterprises and professionals to governments, regulatory bodies or courts to guarantee compliance with legal or fiduciary obligations;
- ✓ Developer surety bonds, comprising mainly bonds to secure real estate developers' legislated deposit and warranty obligations on residential projects; and
- ✓ New home warranty insurance for residential homes.

Table 4.3

	Q4 2023	Q4 2022(1)	$ variance	% variance	2023	2022(1)	$ variance	% variance
Insurance revenue	36,393	27,521	8,872	32.2%	142,421	101,378	41,043	40.5%
Insurance service expense	(27,679)	(20,556)	(7,123)	34.7%	(104,868)	(70,523)	(34,345)	48.7%
Net expense from reinsurance contracts assets	(4,424)	(2,440)	(1,984)	81.3%	(8,009)	(11,749)	3,740	(31.8%)
Insurance service result	4,290	4,525	(235)	(5.2%)	29,544	19,106	10,438	54.6%
Other income	696	679	17	2.5%	7,540	6,441	1,099	17.1%
Loss ratio	28.0%	25.3%		2.7pts	16.3%	18.3%		(2.0pts)

(1) Comparatives have been restated to conform with adoption of new accounting standards, see Section 10 – Accounting and Disclosure Matters.

Surety (continued)

Insurance revenue grew significantly for Q4 and YTD 2023 driven by growth in our US Surety platform and contract surety in Canada which was positively impacted by the Company's acquisition of Sovereign Insurance's surety business in Canada in 2022.

Insurance service expense increased in Q4 and YTD 2023 compared to 2022 as a result of growth in claims, commissions and operating expenses, which have increased alongside growth in Insurance revenue. Net expense from reinsurance contracts assets increased in Q4 as a result of an increase in reinsurance ceded. Net expense from reinsurance contract assets decreased for the full year as a result of claims in the period, which were partially reinsured, where the associated recovery is recognized in Net income (expense) from reinsurance contract assets. Insurance service result was lower in Q4 2023 than the prior year as a result of a higher loss ratio and certain expenses associated with the acquisition of Sovereign Insurance's surety business. Insurance service result was higher for the full year 2023 than 2022 as a result of growth in the business, a lower claims ratio and non-recurring surety revenue.

Other income, which reflects fees for surety services, was approximately the same in the quarter and increased for the YTD period which was also positively impacted by the Company's acquisition of Sovereign Insurance's surety business.

Risk Solutions Warranty

Risk Solutions includes specialty insurance contracts which are structured to meet the specific requirements of program administrators, managing general agents, captive insurance companies, and affinity groups. Our Risk Solutions business line consists primarily of warranty programs in the automotive and consumer goods space. Risk Solutions also sells warranty products which serve as complementary products to our insurance policies.

Table 4.4

	Q4 2023	Q4 2022[(1)]	$ variance	% variance	2023	2022[(1)]	$ variance	% variance
Insurance revenue	28,371	24,788	3,583	14.5%	109,172	99,347	9,825	9.9%
Insurance service expense	(27,059)	(24,900)	(2,159)	8.7%	(98,429)	(87,146)	(11,283)	12.9%
Net income (expense) from reinsurance contract assets	2,028	1,924	104	5.4%	503	(1,253)	1,756	nm
Insurance service result	3,340	1,812	1,528	84.3%	11,246	10,948	298	2.7%

(1) Comparatives have been restated to conform with adoption of new accounting standards, see Section 10 – Accounting and Disclosure Matters.

Insurance revenue increased in Q4 and YTD 2023 compared to Q4 and YTD 2022 as a result of several programs which are continuing to mature. Certain Risk Solutions Warranty programs have seen a slowdown in growth as a result of slower automobile sales in the periods.

Insurance service expense increased for the quarter and YTD periods as a result of an increase in commissions expense as a result of growth in the business, and also an increase in claims activity.

Net income (expense) from reinsurance contracts assets increased in the quarter as a result of lower amounts of premium ceded, netted against recoveries on certain programs with reinsurance. For the full year Net expense from reinsurance contract assets was a recovery as a result of greater amounts recovered from reinsurers than the prior year, netted against less premium ceded. Insurance service result was greater than the prior year for the quarter and YTD periods primarily as a result of growth in the business.

Canadian Fronting

Canadian Fronting includes fronting for reinsurers through licensed brokers and MGAs, which the company began writing in 2020. For fronted business in the Canadian operations, we generally target a fronting fee in the range of 4.0% to 8.0% of GPW[(1)] depending on the nature of the arrangement.

Table 4.5

	Q4 2023	Q4 2022[(2)]	$ variance	% variance	2023	2022[(2)]	$ variance	% variance
Insurance revenue	120,367	81,048	39,319	48.5%	407,700	282,373	125,327	44.4%
Insurance service expense	(91,398)	(52,959)	(38,439)	72.6%	(244,174)	(185,443)	(58,731)	31.7%
Net expense from reinsurance contracts assets	(22,705)	(24,236)	1,531	(6.3%)	(142,110)	(82,123)	(59,987)	73.0%
Insurance service result	6,264	3,853	2,411	62.6%	21,416	14,807	6,609	44.6%

(1) This is a non-IFRS financial measure. See Section 10 – Accounting and Disclosure Matters for details on its composition and an explanation of how it provides useful information to an investor.
(2) Comparatives have been restated to conform with adoption of new accounting standards, see Section 10 – Accounting and Disclosure Matters.

Insurance revenue increased for Q4 and YTD 2023 compared to the prior year as a result of growth in the business due to platform maturation.

Insurance service expense increased for Q4 and full year, largely as a result of growth in the business, which resulted in greater claims and commissions expense.

Net expense from reinsurance contracts assets decreased in Q4 2023 as a result of a larger increase in claims recoveries in the period. For the full year, Net expense from reinsurance contract assets increased as a result of growth in the business, and relatively slower growth in claims recoveries.

Insurance service result increased for the quarter and YTD periods primarily as a result of the maturing of programs and growth in the business.

Corporate Insurance

The main products offered by our Corporate Insurance business are Directors' & Officers' insurance for private, non-profit and public enterprises, professional liability insurance for both enterprises and professionals, technology and cyber liability insurance for enterprises, commercial package insurance for both enterprises and professionals and fidelity insurance for both commercial enterprises and financial institutions.

Table 4.6

	Q4 2023	Q4 2022[(1)]	$ variance	% variance	2023	2022[(1)]	$ variance	% variance
Insurance revenue	42,277	39,015	3,262	8.4%	165,541	143,537	22,004	15.3%
Insurance service expense	(28,553)	(36,252)	7,699	(21.2%)	(95,891)	(100,427)	4,536	(4.5%)
Net expense from reinsurance contracts assets	(6,865)	3,572	(10,437)	(292.2%)	(41,848)	(20,172)	(21,676)	107.5%
Insurance service result	6,859	6,335	524	8.3%	27,802	22,938	4,864	21.2%
Loss ratio	33.8%	27.9%		5.9pts	24.7%	24.1%		0.6pts

(1) Comparatives have been restated to conform with adoption of new accounting standards, see Section 10 – Accounting and Disclosure Matters.

Corporate Insurance (continued)

Insurance revenue continued to grow in Q4 and YTD 2023. This was due to new business growth, stable policy retentions, and continued support from our distribution partners.

Insurance service expense decreased in Q4 and for the full year 2023 as a result of lower gross claims expense, which offset growth in commissions and operating expense.

Net expense from reinsurance contracts assets grew for the quarter and YTD periods as a result of an increase in reinsurance ceded, in combination with lower claims recoveries. In Q4 2022, claims recoveries and reinsurance ceding commission exceeded reinsurance ceded which led to a net recovery balance.

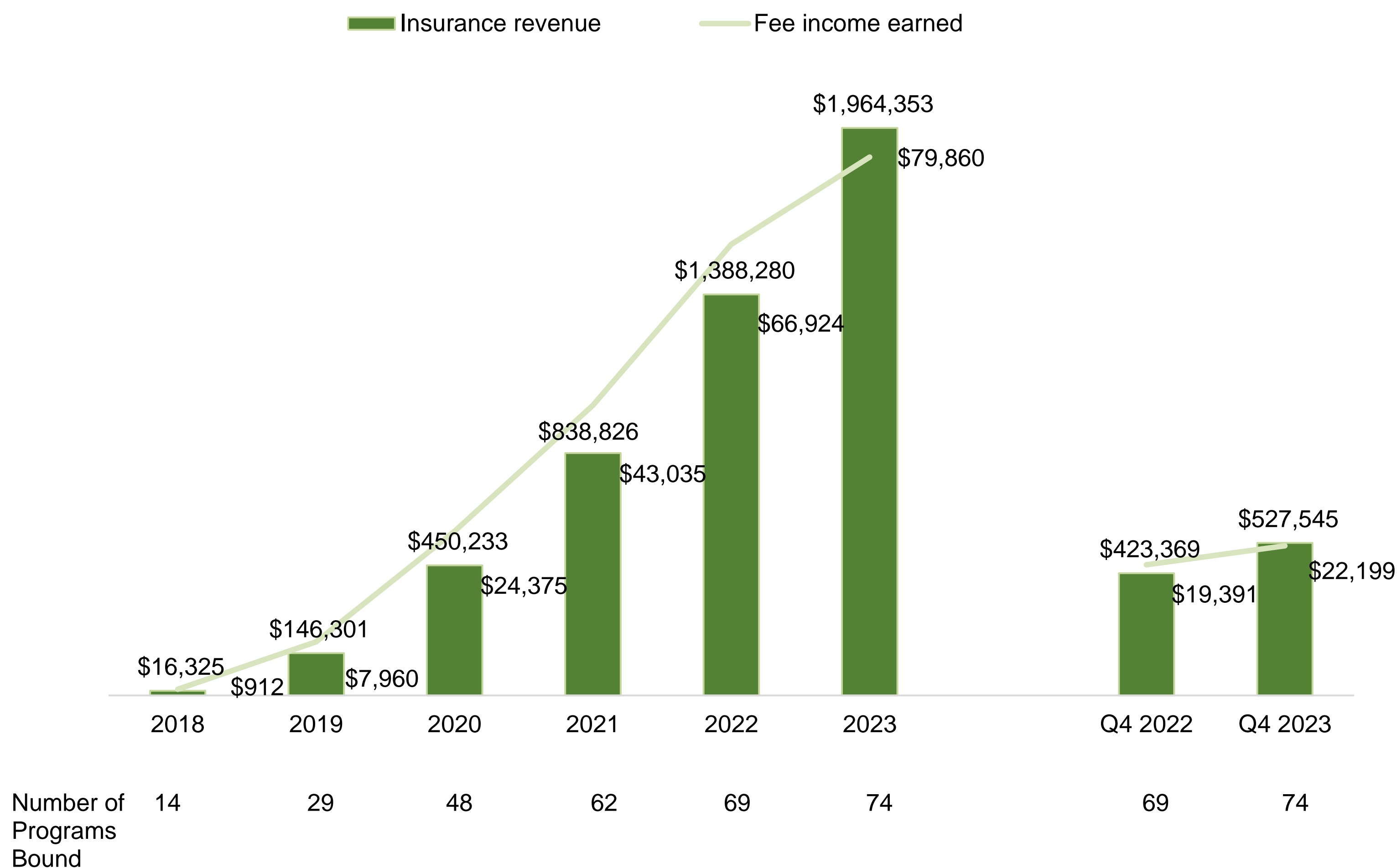
Insurance service result was greater in Q4 and full year 2023 than Q4 and full year 2022 as a result of growth in the business.

In Q4 2023, the loss ratio was greater than the prior year as a result of higher claims activity. For the full year period, the Loss ratio was approximately the same as the prior year period, as a result of similar levels of claims activity in the period.

UNITED STATES

Our US platform functions as a non-admitted surplus line insurer in all states, participating as a hybrid fronting carrier with a fee-based business model.

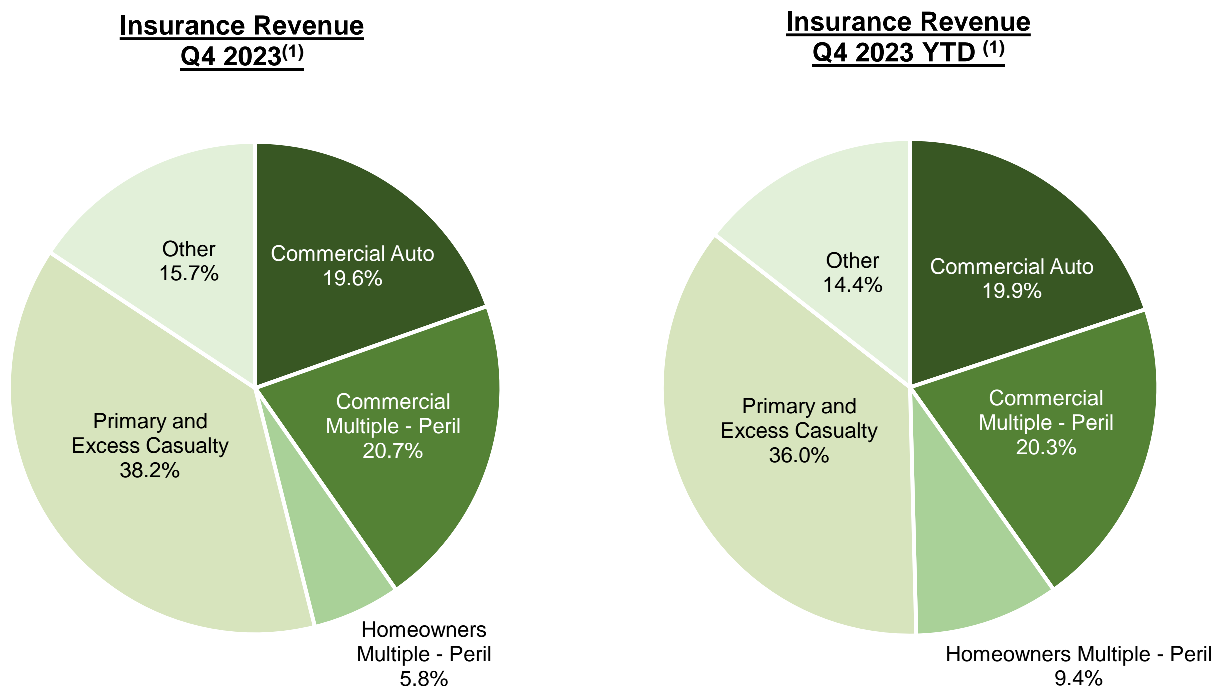
Our US operations continued to grow Insurance revenue, producing $527.5 million in the quarter across 74 programs. The graph below shows the evolution of Insurance revenue, fee income[1], and the number of programs bound in the US.



(1) *Fee income is a non-IFRS financial measure. See Section 10 – Accounting and Disclosure Matters for details and an explanation of how it provides useful information to an investor.*

UNITED STATES (CONTINUED)

The charts below provide a segmentation by class of business of our US Insurance revenue for Q4 and YTD 2023.



(1) "Other" includes Allied Lines – Flood, Auto Physical Damage, Burglary and Theft, Boiler and Machinery, Dwelling Fire, Farmowners Multiple – Peril, Inland Marine, MonoLine Property, Prepaid Legal, Private Auto, Product Liability, and Surety.

UNITED STATES (CONTINUED)

The table below presents financial highlights for our US operations.

Table 4.7

	Q4 2023	Q4 2022[(1)]	$ variance	% variance	2023	2022[(1)]	$ variance	% variance
Insurance revenue	527,545	423,370	104,175	24.6%	1,964,353	1,388,280	576,073	41.5%
Insurance service expenses	(440,492)	(339,431)	(101,061)	29.8%	(1,701,806)	(1,299,034)	(402,772)	31.0%
Net expense from reinsurance contracts assets	(103,661)	(154,204)	50,543	(32.8%)	(267,142)	(127,831)	(139,311)	109.0%
Insurance service result	(16,608)	(70,265)	53,657	(76.4%)	(4,595)	(38,585)	33,990	nm
Net investment income	7,161	3,668	3,493	95.2%	23,387	8,444	14,943	177.0%
Net gains (losses)	3,820	1,353	2,467	182.3%	(157)	2,867	(3,024)	nm
Net credit impairment reversals	569	-	569	nm	409	-	409	nm
Net (loss) income	(8,862)	(53,656)	44,794	(83.5%)	(1,090)	(29,156)	28,066	nm
Operating net income[(2)]	5,801	9,904	(4,103)	(41.4%)	38,678	32,239	6,439	20.0%
Fee income[(3)]	22,199	19,391	2,808	14.5%	79,860	66,924	12,936	19.3%
Loss ratio	202.7%	75.4%			99.6%	71.4%		
Loss ratio excluding certain non-recurring items[(4)]	129.9%	75.4%			87.7%	71.4%		
Retention rate[(5)]	6.8%	9.0%			5.7%	7.8%		
Fees as a % of ceded premium[(5)]	4.9%	4.8%			4.5%	5.0%		
Fees as a % of ceded premium excluding certain non-recurring items[(4)]	5.0%	4.8%			4.7%	5.0%		
FOR[(6)]	143.0%	242.8%			109.6%	128.3%		
FOR excluding certain non-recurring items[(4)]	106.0%	83.2%			90.3%	80.5%		
ROE	(1.0%)	(12.1%)			(1.0%)	(12.1%)		
Operating ROE[(7)]	13.6%	13.4%			13.6%	13.4%		

(1) Comparatives have been restated to conform with adoption of new accounting standards, see Section 10 – Accounting and Disclosure Matters.
(2) This is a non-IFRS financial measure. See Table 10.2.3 in Section 10 – Accounting and Disclosure Matters for details on composition and an explanation of how it provides useful information to an investor.
(3) Fee income is a component of Net expense from reinsurance contracts assets, see Table 10.5.5 for its composition.
(4) These metrics exclude the impact of the 2023 run-off and the Q4 2022 write down on reinsurance recoverables to better reflect our US operations.
(5) This is a non-IFRS ratio. See Table 10.7 in Section 10 – Accounting and Disclosure Matters for details on composition.
(6) This is a non-IFRS ratio. See Section 10 – Accounting and Disclosure Matters and Table 10.6 for its composition.
(7) Operating ROE excludes the impact of certain items to normalize earnings in order to reflect our US operations.

The table below shows Deferred fee income as at December 31, 2023, compared to December 31, 2022.

Table 4.8

As at	December 31, 2023	December 31, 2022	$ variance	% variance
Deferred fee income	39,854	34,587	5,267	15.2%

UNITED STATES (CONTINUED)

Insurance revenue grew in the quarter and YTD periods compared to Q4 and YTD 2022. The increase was primarily the result of maturing programs, supplemented by new program additions. In the quarter and YTD periods, $93.6 million and $282.6 million of Insurance revenue was generated by admitted programs compared to $42.2 million and $119.1 million in Q4 and YTD 2022.

Insurance service expenses increased in the quarter and YTD periods compared to the prior year primarily as a result of an increase in claims expense in both the quarter and full year, and commissions expense for the full year period, which has grown as a result of growth in insurance revenue. Commissions expense decreased in the quarter as a result of the impact of certain commission arrangements which decrease when claims rise.

Net expense from reinsurance contracts assets decreased in Q4 2023 compared to Q4 2022 largely as a result of the impact of the Q4 2022 write down on reinsurance recoverables which occurred in 2022 and increased Net expense from reinsurance contract assets in that period. Net expense from reinsurance contracts increased for the full year 2023 as a result of growth in the business.

Insurance service result is greater in Q4 2023 than Q4 2022 as a result of the impact of the Q4 2022 write down on reinsurance recoverables, partially offset by a higher loss ratio in Q4 2023. Insurance service result also improved for the full year 2023 compared to 2022 due to the impact of the Q4 2022 write-down of reinsurance recoverables. Excluding the impact of the 2022 write-down and the impact of the 2023 run-off, Insurance service result would have been approximately same as the prior year for the full year 2023 and lower in Q4 2023 than the prior year as a result of growth in the business, offset by a higher loss ratio in 2023.

Our US Fronting operations retained 6.8% of GPW in the quarter which was lower than the prior year. The remainder of premiums were ceded to third party reinsurers. The decrease in retention in the quarter reflects relatively higher purchases of reinsurance in Q4 2023. The retention rate for the full year period decreased compared to the prior year period as a result of reinsurance purchases associated with the run-off program in 2023, leading to a lower reported retention rate. We continue to target a quota share retention between 5.0% and 10.0% on all programs.

Fee income in our US operations reflects fronting fees received from reinsurers which are recognized over the life of the insurance contracts with which they are associated. The earnings pattern of Fee income is similar to that of Insurance revenue, and is reflected as part of Net expense from reinsurance contracts assets. Fee income grew in the quarter and YTD periods as a result of significant premium growth over the past year.

Fees as a percentage of ceded premium, as well as Fees as a percentage of ceded premium excluding run-off, were approximately the same as the prior year for the quarter reflecting similar levels of fee income charged. Fees as a percentage of ceded premium, as well as Fees as a percentage of ceded premium excluding run-off were lower for the full year period, in part as a result of the purchase of catastrophe coverage which does not attract Fee income and the impact of larger programs with lower average fees.

The Loss ratio was higher in the quarter and YTD periods than 2022 in large part as a result of the run-off program, which has a higher Loss ratio and a higher retention. When the run-off is excluded from results, the Loss ratio was higher than the prior year as a result of certain programs where Trisura US retained a larger portion of losses incurred, coupled with higher purchases of reinsurance. Losses in the year include a number of programs that were put into run-off in 2021 and 2022, which accounted for $3.4 million of net claims expense in the year.

The FOR in Q4 and YTD 2023 was lower than 2022 primarily as a result of the impact of the Q4 2022 write down of reinsurance recoverables. FOR excluding the 2023 run-off and the 2022 write down on reinsurance recoverables, for Q4 and YTD 2023 was higher than 2022 as a result of a higher loss ratio, higher reinsurance costs than the prior year as well as an increased investment in internal infrastructure.

UNITED STATES (CONTINUED)

See Section 5 – Investment Performance Review for a discussion on Net investment income, Net gains (losses), and Net credit impairment losses.

Net income (loss) was greater for the quarter and full year period compared to the prior year as a result of the impact of the write down of reinsurance recoverables in Q4 2022. Operating net income in Q4 2023 was lower than the prior year, largely as a result of a higher loss ratio in the quarter. Operating net income for full year 2023 improved compared to the prior year as a result of growth in the business and Net investment income.

In Q4 2023 the ROE was (1.0%), as a result of the impact of the run-off business, as well as a higher loss ratio, and was greater than the prior year as a result of the Q4 2022 write down of reinsurance recoverables. Operating ROE was 13.6%, which is greater than the prior year, reflecting growth in operations and Net investment income.

CORPORATE AND OTHER

Our corporate results represent expenses that do not relate specifically to any one segment of the Company as well as debt servicing costs and certain derivative gains and losses on derivatives instruments used to mitigate the movement of SBC.

Table 4.9

	Q4 2023	Q4 2022[1]	$ variance	2023	2022[1]	$ variance
Corporate expenses and other	(494)	(201)	(293)	(3,576)	(2,590)	(986)
SBC, net of derivatives used to mitigate the impact	(345)	(349)	4	(1,528)	(2,247)	719
Net expenses[2]	(839)	(550)	(289)	(5,104)	(4,837)	(267)
Debt servicing	(492)	(499)	7	(2,081)	(2,261)	180
Corporate and other	(1,331)	(1,049)	(282)	(7,185)	(7,098)	(87)

(1) Comparatives have been restated to conform with adoption of new accounting standards, see Section 10 – Accounting and Disclosure Matters.
(2) Refer to Table 10.8.1 for details to reconcile to Note 19 – Segmented Information in the Company's Consolidated Financial Statements.

Corporate expenses and other, which as of Q4 2023 now includes some residual expense associated with the run-off of in-force reinsurance contracts of our Reinsurance operations, increased for the quarter and the full year period as a result of certain one-time professional fees, related to activity in the business, as well as operational expenses which have grown alongside growth in the business.

SBC includes payment to directors and senior management and can be impacted by movement in the share price. As a result, we employ a strategy using derivatives to mitigate volatility. SBC is presented net of the impact of this mitigation strategy. SBC, net of derivatives was approximately the same in Q4 2023 as Q4 2022. SBC, net of derivatives was lower in the full year 2023 than 2022 as a result of share price movements and slight mismatches in hedging.

Debt servicing costs approximate the same in Q4 and full year 2023 as 2022 as a similar amount of debt was outstanding during that period.

SECTION 5 – INVESTMENT PERFORMANCE REVIEW

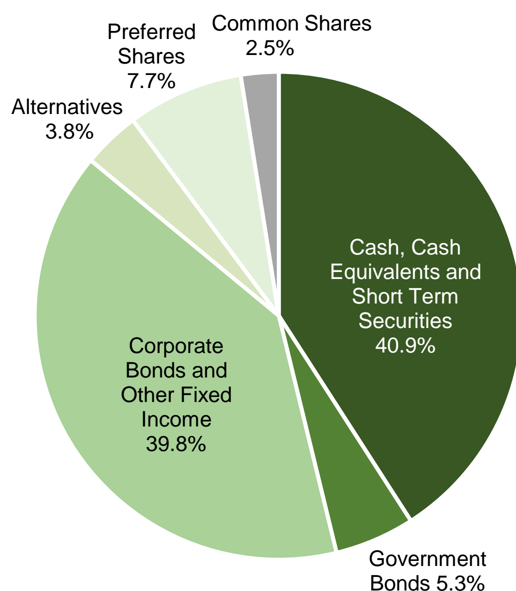
OVERVIEW

The Company's investment policy seeks to achieve attractive total returns without incurring an undue level of investment risk while supporting our liabilities and maintaining strong regulatory and economic capital levels. We take a centralized investment approach across all subsidiary portfolios and invest with a global posture.

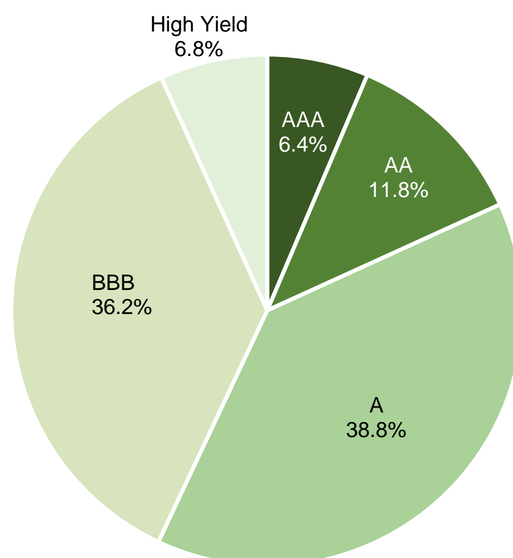
SUMMARY OF CASH AND INVESTMENTS

Our $1.5 billion investment portfolio consists of cash and cash equivalents, short-term securities, government and corporate bonds, preferred shares, common shares, and alternative investments. Approximately 93% of our fixed income holdings are highly liquid (highly liquid refers to the Company's ability to sell a fixed income investment within a short period of time), investment grade bonds (investment grade bonds refers to all bonds rated 'BBB-' and higher).

Investment Portfolio by Asset Class



Fixed Income Securities by Rating[1]



(1) This is a supplementary financial measure. Composition: balance for each credit rating, divided by total balance for fixed income investments.

INVESTMENT PERFORMANCE

Net Investment Income

Table 5.1

	Q4 2023	Q4 2022(1)	$ variance	2023	2022(1)	$ variance
Net Investment income	16,206	9,479	6,727	51,669	25,162	26,507
Net gains (losses) excluding derivative (gains) losses(2)	6,888	470	6,418	(6,217)	9,565	(15,782)
Net credit impairment losses	926	-	926	895	-	895
Total investment income excluding derivative losses(3)	24,020	9,949	14,071	46,347	34,727	11,620

(1) Q4 2022 and full year 2022 balances have been presented in accordance with IAS 39 and accordingly have not been restated to conform with adoption of new accounting standards, see Section 10 – Accounting and Disclosure Matters.

(2) This is a non-IFRS financial measure. See Table 10.3 in Section 10 – Accounting and Disclosure Matters for details to reconcile to Note 19 – Segmented Information in the Consolidated Financial Statements.

(3) Total investment income excluding derivative losses is a non-IFRS financial measure and is equal to the sum of Net investment income, Net (losses) gains excluding derivative losses, and Net credit impairment losses.

Net investment income is driven by interest and dividend income on invested assets and was greater than the prior quarter and full year period as a result of a larger investment portfolio and higher portfolio yields.

Net gains (losses) excluding derivative (gains) losses represent realized gains and losses from sales of investments, unrealized gains and losses on securities held that are classified as FVTPL, the impact of foreign exchange related to the investment portfolio and the operations of the business, and gains and losses on derivative instruments, with the exception of those mitigating SBC. We experienced a net gain in Q4 2023 primarily as a result of unrealized gains on securities classified as FVTPL as interest rates fell and equity markets rose in the fourth quarter. A net loss in the full year was largely the result of net foreign currency losses, driven by a weakening USD.

Effective January 1, 2023, net credit impairment losses represent the impairment allowances on the Company's debt instruments that are classified as FVOCI. The Expected Credit Loss ("ECL") impairment model is used to calculate Net credit impairment losses. The tightening of credit spreads for the Company's fixed income portfolio resulted in a decrease in the ECL balance in Q4 2023 and the full year 2023. See Section 10 – Accounting and Disclosure Matters, for additional information on ECL impairments.

Other Comprehensive Loss

Table 5.2

	Q4 2023	Q4 2022[(1)]	$ variance	2023	2022[(1)]	$ variance
Unrealized gains (losses) in OCI	14,520	994	13,526	12,848	(62,714)	75,562
Cumulative translation (loss) income	(6,067)	(4,947)	(1,120)	(6,520)	15,007	(21,527)
Other comprehensive income (loss)	8,453	(3,953)	12,406	6,328	(47,707)	54,035

(1) Q4 2022 and full year 2022 balances have been presented in accordance with IAS 39 and accordingly have not been restated to conform with adoption of new accounting standards, see Section 10 – Accounting and Disclosure Matters.

The mark to market impact of securities characterized as FVOCI was positive in Q4 2023 and full year 2023 as lower interest rates drove unrealized gains on fixed income in Canada and the US.

Foreign exchange differences arising from the translation of the financial statements of international operations to Canadian dollars are recognized as cumulative translation gains or losses, which are also a component of OCI. Cumulative translation (loss) income in Q4 2023 and the full year reflected the weakening of the US dollar against the Canadian currency, driving lower Canadian dollar valuations of capital held outside of Canada.

Refer to Notes 7 and 8 in Consolidated Financial Statements for more detail on the components of investment returns.

SECTION 6 – OUTLOOK & STRATEGY

INDUSTRY

The specialty insurance market offers products and services that are not written by most insurance companies. The risks covered by specialty insurance policies generally require specialist underwriting knowledge and technical financial and actuarial expertise. Specialty lines are niche segments of the market that tend to involve more complex risks and a more concentrated set of competitors. Consequently, these risks are difficult to place in the standard insurance market where many carriers are unable or unwilling to underwrite them. As a result, specialty insurers have more pricing and policy form flexibility than traditional market insurers whose prices and policy forms are subject to authorization and approval by insurance regulators. Specialty lines are less commoditized areas of the market where relationships, product expertise and product structure are not easily replicated. For this reason, specialty insurers have historically, and are expected to continue to outperform the standard markets by having lower claims ratios and combined ratios than traditional insurance companies.

In contrast to the standard P&C insurance market, which is divided almost evenly between personal and commercial lines, specialty insurers are focused almost exclusively on commercial lines. Even within the commercial sector, the business mix of the specialty insurers can vary significantly from that of the overall P&C industry. Although no standard definition for the specialty insurance market exists, some common examples of business written by specialty insurers include non-standard insurance, niche market segments (such as Surety, D&O and E&O) and products that require tailored underwriting. Many insurance groups with a specialty focus have several different carriers and licenses and allocate business between these carriers depending on market conditions and regulatory requirements. The agency channel is the primary distribution channel for specialty insurance. Managing general agents often serve an important role in helping carriers distribute specialty insurance products.

The specialty market is more fragmented than the broader P&C industry. In the US, it is estimated that the top ten excess and surplus participants capture less than 35% market share, with the top 25 averaging 2% market share. An estimated $75.5 billion USD of excess and surplus insurance direct premiums were written in 2022 (excluding Lloyd's), growth of 20% year-on-year, compared with the broader P&C industry which grew by 10% year-on-year to $876.1 billion USD. In Canada, specialty market[(1)] growth was estimated to be 14% year-on-year for 2022 to $8.5 billion in direct written premium[(2)], as compared to the P&C industry at 8% growth and $89.5 billion in direct written premium. Direct written premium is a measure of Gross written premium, which excludes assumed premium, and is a commonly used metric in the industry.

(1) *Growth figures for the specialty market in Canada include Boiler and Machinery, Credit, Credit Protection, Fidelity, Hail, Legal Expense, Cyber Liability, Directors and Officers Liability, Excess Liability, Professional Liability, Umbrella Liability, Pollution Liability, Surety and Marine. Market data is based on the latest available data from MSA Research Inc. (FY 2022).*

(2) *This is a non-IFRS financial measure. Non-IFRS financial measures are not standardized financial measures under the financial reporting framework used to prepare the financial statements of the Company to which the measure relates and might not be comparable to similar financial measures disclosed by other companies. See Section 10 – Accounting and Disclosure Matters for details and an explanation of how it provides useful information to an investor.*

OUTLOOK AND STRATEGY

Our Company has an experienced management team with strong industry relationships and excellent reputations with rating agencies, insurance regulators and business partners. We have operated in the Canadian Specialty P&C insurance market for more than 17 years, establishing a conservative underwriting and investing track record.

In Canada, we have built our brand through serving our clients, brokers and institutional partners as a leading provider of niche specialty insurance products. We will continue to build out our product offerings in existing and new niche segments of the market with suitably skilled underwriters and professionals. We remain committed to our broker distribution channel to promote and sell insurance products. We are selective in partnering with a limited brokerage force, focusing its efforts on leading brokerage firms in the industry with expertise in specialty lines. This distribution network currently comprises over 170 major international, national and regional brokerage firms operating across Canada in all provinces and territories as well as boutique niche brokers with a focus on specialty lines. The Canadian operations have expanded our surety offering to the US, as part of the Company's growing US Surety business.

Our US business is now fully operational and demonstrating scale and profitability. It is licensed as a domestic excess and surplus lines insurer in Oklahoma operating as a non-admitted surplus lines insurer in all states, and as an admitted carrier in 49 states. We are in the process of obtaining admitted licenses in the remaining state. It is our belief that conditions are favourable for the continued growth of our US platform, which operates as a hybrid fronting carrier using a fee-based business model. Our focus is to source high quality business opportunities by partnering with a core base of established and well-managed program administrators. From our experience to date, these program administrators welcome our new capacity.

Furthermore, we continue to benefit from a strong supply of highly rated international reinsurance capacity keen to partner with us to gain exposure to this business, allowing us to cede the majority of the risk on policies to these reinsurers on commercially favourable terms. We are confident that this platform will generate attractive, stable fee income while maintaining a small risk position, right-sizing underwriting risk and aligning our interests with our program distribution partners and capacity providers. Our US fronting business is the largest component of insurance revenue, and as we continue to grow, we expect that it will become an increasingly significant contributor to profitability.

We will continue to develop our distribution network, building on our existing partner network in Canada and our core base of program administrators in the US. Our Company will strive to increase the penetration of our products with our partners by providing the support they require to enhance the effectiveness of their sales and marketing efforts.

We also intend to consider acquisitions on an opportunistic basis and pursue those that fit with our strategic plan. Building on the knowledge and expertise of our existing operations, we intend to initially target businesses in the US that operate in similar niches of the specialty insurance market, or that can expand our licensing. The closing of 21st Century Preferred Insurance Company, and the announcement of our intention to acquire a US surety company, is a demonstration of the willingness and capabilities our team has to pursue these acquisitions.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE ("ESG")

We believe that acting responsibly toward all stakeholders is fundamental to operating a productive, profitable and sustainable business. This underlies our philosophy of conducting business with a long-term perspective in a sustainable and ethical manner.

In Q1 2022 the Company entered into an Amended and Restated Credit Agreement which includes a sustainability-linked loan ("SLL") structure. This structure allows for the borrowing rate to be adjusted based on the achievement of certain key performance indicators ("KPI"). As a first of its kind for insurers in Canada, the SLL is linked to our ambition to further incorporate ESG considerations into our investment activities. The structure introduces an incentive mechanism tied to KPIs around our responsible activities, including disclosure.

In connection with the SLL, we have implemented a Responsible Investing Policy applicable to our investment portfolio, which mandates the inclusion of ESG factors into our investment decisions, starting with the due diligence of a potential investment through to the ultimate exit process. As part of the policy, during the initial due diligence phase, we utilize both internal and third-party research to identify material ESG risks and opportunities relevant to the potential investment. By the end of 2023, our policy applies to at least 50% of our investment portfolio. Our goal is to align disclosure of our responsible investing activities in accordance with a recognized framework.

Environmental

Climate change is one of the greatest challenges of our times. Countries, including United Kingdom, United States, Germany, Italy, France and Japan, have committed to achieving net-zero emissions by 2050. Canada has made intensive efforts to target 40-50 percent emission reduction by 2030. Climate-related risks are strategically relevant to our business over time.

Although the Company's property exposure is primarily related to fronted programs, physical and weather-related risks have an impact on the property-exposed business that the Company retains, and we continue to adapt our business to the impacts of climate change through enhanced catastrophe modelling, adjustments to pricing practices related to severe weather, continuing to refine how we select property-exposed business and structure appropriate reinsurance coverage.

Social

We recognize the importance of taking responsibility for charitable efforts, both globally and within the communities in which we operate.

We value our employees, actively seek opportunities to develop them and to ensure they are engaged. We are committed to fostering, cultivating, and preserving a culture of diversity and inclusion. Equity and inclusion are imperative to our business. To that effect, the Company has also engaged a service provider to assist with the development of an equity framework, which Trisura intends to implement.

In order to provide our clients with the products and services they require and to ensure that we make informed underwriting and claims decisions, it is necessary that we obtain private information about our clients and/or their businesses. We take all necessary and reasonable precautions to protect the privacy of the information provided to us by our clients. We use manual and electronic controls to protect personal information that has been entrusted to us. These controls include restricted access to our premises, user authentication, encryption, firewall technology and the use of detection software.
We have a Cyber Security Incident Response Policy that communicates the overall process and guidelines for the identification, reporting and response to cyber security events, incidents and data breach at the Company. It is intended to help us respond to a security event or incident in a way that is consistent with our obligations, including legal obligations, to our customers, colleagues, and shareholders.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE ("ESG") (CONTINUED)

Governance

The Board has ultimate oversight of ESG strategy, which includes oversight of climate related risks and opportunities. The Board receives regular updates on the Company's ESG initiatives throughout the year.

The Governance Committee is responsible for implementing the board diversity policy, monitoring progress towards the achievement of its objectives and recommending to the Board any necessary changes that should be made to the policy. The Board has committed to meeting the gender diversity target of at least 30% of Directors identifying as women by our 2024 annual meeting of shareholders. Since adopting this policy the Company has welcomed two additional women to the board including Anik Lanthier who joined the board in Q1 2023.

Refer to our Management Information Circular dated April 14, 2023 for detailed information on Governance.

SECTION 7 – RISK MANAGEMENT

Our Company has developed an enterprise risk management framework and internal controls processes to identify, measure, monitor and mitigate risk. This framework is central to our business decision making including the business we choose to write and the business we choose to decline. Furthermore, for the business we write the risk management framework informs our determination of whether to retain the risk fully or to apply risk mitigation measures such as reinsurance.

CORPORATE GOVERNANCE

The Board of Directors is responsible for oversight of risk management and internal control systems and policies. The Board of Directors has established Board of Directors level risk committees at group and subsidiary levels, whose members are mostly independent of management. These committees meet quarterly to oversee and challenge the development and effectiveness of risk management frameworks and priorities and to review risk reporting. The Group Risk Management function, under the direction of the Group Chief Risk Officer, promotes sound and effective risk management across the Company by (i) ensuring that effective processes are in place to identify, assess, monitor, manage and report the risks to which the Company is or might be exposed, (ii) facilitating the setting of risk tolerances, limits and appetite by the Board and (iii) providing comprehensive and timely information on material risks which enables the Board and the Risk Committee to understand the overall risk profile of the Company. The Group Chief Risk Officer liaises with Risk Officers at subsidiary levels to develop consistency of approach with respect to risk identification, assessment, monitoring, management and reporting tailored to the operations of the subsidiaries. All Risk Officers at group and subsidiary levels report directly to their relevant risk committees. In addition, there are management level risk and underwriting committees at group and subsidiary levels with escalation processes to Board of Directors level committees.

The following factors in addition to the other information set forth in this MD&A and in the Company's Consolidated Financial Statements and Annual Information Form should be considered in assessing the risks to the Company and the industry and markets in which we operate. If any of the following risks occur our business, financial condition, results of operations and prospects would likely suffer. The following list of risks are those that the Company believes are the most significant. They are not the only risks that we face or may face in the future and other risks may emerge that could have a material adverse effect on our financial condition and results of operations.

RISKS AND UNCERTAINTIES

Highly Competitive Specialty Insurance Business

The specialty insurance business is highly competitive. Elements of competition include pricing, availability and quality of products, capacity, quality and speed of service, credit and financial strength ratings, financial strength, distribution and technology systems and technical expertise. Our Company competes with many other insurance companies. Many of these competitors are larger and have greater financial resources than are available to our Company and have a greater ability to compete on the basis of price. Some of our competitors may offer a broader range of policy administration or other services or be willing to take on significantly more underwriting risk. Any increase in competition in this segment, especially by one or more larger companies, could materially and adversely affect our Company's business, financial condition, results of operations and prospects. Competitors may also acquire distributors to our detriment. Consolidation amongst insurance companies and distribution partners could also impact our ability to compete. As competitors introduce new products and as new competitors enter the market, our Company may encounter additional and more intense competition. Technological change implemented by insurers or new market entrants can result in a change to the competitive landscape and adversely impact our ability to compete. There can be no assurance that we will continue to increase revenues or be profitable. To a large degree, future revenues of our Company are dependent upon our ability to continue to develop and market our products and to enhance the capabilities of our products to meet changes in customer needs in a competitive marketplace. We seek to manage competition risks by fostering strong relationships with our distribution partners and by focusing on their needs, delivering excellence in service and providing valuable product expertise.

Cyclical and Volatile Nature of Insurance Industry

The financial performance of the insurance industry has historically tended to fluctuate in cyclical patterns of "soft" markets characterized generally by increased competition, resulting in lower premium rates and underwriting standards, followed by "hard" markets characterized generally by lessening competition, stricter underwriting standards and increasing premium rates. The profitability of insurance companies tends to follow this cyclical market pattern with profitability generally increasing in hard markets and decreasing in soft markets. These factors could result in fluctuations in the underwriting results and net income of our Company. Many of these factors are beyond our Company's control. The profitability of specialty insurers can also be affected significantly by many factors, including regulatory regimes, developing trends in tort and class action litigation, adoption of consumer initiatives regarding premium rates or claims handling procedures, and privacy and consumer protection laws that prevent insurers from assessing risk, or factors that have a high correlation with risks considered, such as credit scoring. An economic downturn in those jurisdictions in which our Company writes business or otherwise conducts business activities, or adverse political conditions, could result in less demand for specialty insurance and lower policy premiums.

Risk of Economic Downturn

The insurance policies that we underwrite are exposed to various risks that may increase during economic downturns, recessions, or other periods of turmoil in the economy. These scenarios of economic turmoil can result in lower premium volumes due to reduced insurance spending, fewer construction starts, lower discretionary spending, slower growth for insureds, and other causes. These scenarios may also result in an increase in claims expense driven by reduced access and increased cost of credit for policyholders, insolvencies of policyholders, inflation, reduced spending on controls by policyholders, increases in crime and other factors that may impact policyholders. The Company reviews pricing assumptions regularly to ensure that they reflect up-to-date claims experience and expected future changes in that experience, as well as market conditions. The Company further mitigates the impact of pricing risk through the employment of experienced underwriting staff. The Company applies risk management practices, including the use of reinsurance, monitoring and regularly reviewing its portfolio of insurance risks in order to make adjustments as needed in order to ensure exposures are within appropriate tolerances.

Our investment portfolio is also sensitive to volatile economic conditions. Changes in interest rates, credit spreads, foreign exchange rates, inflation, and other changes in market prices may cause realized and unrealized losses. Rising interest rates generally result in mark to market losses in our fixed income portfolio which can take years to resolve as bonds mature and are replaced by higher yielding securities. A recession or other economic downturn could also result in investment losses due to changes in market prices of held securities in any asset class or credit events. See Note 23.2 (Credit risk) and Note 23.4 (Market risk) to the Consolidated Financial Statements for more information on the management of this risk.

Risk of Inflation

Claims costs associated with the insurance policies that we sell are exposed to inflation that can increase the cost of fulfilling our obligations under those policies whether related to new claims or related to unpaid claims reserves. These inflationary processes may be generalized and related to the inflation in the general economy or may be localized to a particular class of business for example as construction cost inflation or trends in tort and class action litigation. Inflation may increase the cost of reinsurance. Inflation may also increase the costs of running our Company including increased wages, rent, utilities and other expenses. High inflation has led to tightening of monetary policy in the countries in which we do business, which could pose a risk to economic growth. Growth in our investments may not keep pace with rising claims and other expenses due to inflation. The Company reviews pricing assumptions regularly to ensure that they reflect up-to-date claims experience and other expenses. However, if market forces in our competitive insurance industry prevent fully passing on cost increases to the customer or if implemented risk mitigation strategies are inadequate or not timely, results of operations or financial condition could deteriorate.

Reliance on Distribution Partners, Capacity Providers and Program Administrators

Trisura Canada distributes its products primarily through a network of distribution partners. These distribution partners also sell our competitors’ products and may, subject to certain limitations, reduce or stop selling our products altogether. Strong competition exists among insurers for distribution partners with demonstrated ability to sell insurance products. Premium volume and profitability could be materially adversely affected if there is a material decrease in the number of distribution partners that choose to sell our Company’s products. Trisura offers fronting arrangements to capacity providers that want to access specific insurance business. Capacity providers may be under common control with a particular program administrator or may be independent. An independent capacity provider may reinsure a single book or multiple books with various program administrators. A single program administrator may control a single book with one capacity provider or multiple books with various capacity providers. Other specialty insurance companies may compete with Trisura for this business. These capacity providers and program administrators may choose to enter into fronting arrangements with Trisura’s competitors or program administrators, or capacity providers may terminate fronting arrangements with Trisura if they no longer need access to its fronting capacity or for other reasons.

Consolidation among capacity providers could also reduce the availability of capacity available to our Company. A significant decrease in business from any of these distribution partners, capacity providers or program administrators would cause our Company to lose premiums and require us to find other partners to replace those lost premiums. We seek to manage these risks by using a diversified group of distribution partners, capacity providers and program administers. We further foster strong relationships with our business partners by delivering excellence in service and product expertise. Where we have granted binding authority to our distribution partners and program administrators we limit such authority to agreed underwriting guidelines and monitor the business underwritten. Nonetheless, situations could arise where binding authority business could result in unanticipated losses that have a significant impact on our results of operations and financial condition.

Insurance Risks:

Insurance risk is the risk that the ultimate cost of claims and loss adjustment expense, as well as acquisition expenses, related to insurance contracts will exceed premiums received in respect of those contracts. This could occur where the frequency or severity of claims is greater than expected. Some additional components of insurance risk such as product and pricing risk, concentrations of insurance risk and exposure to large losses, and estimates of loss reserves are described below.

For more information on insurance risk and the management of insurance risk see Note 2.2(a) (IFRS 17 – Insurance contracts), Note 21 (Roll-forward of net liability for insurance contracts showing LRC and LIC), and Note 23.1 (Insurance risk) to the Consolidated Financial Statements.

1 – Product and Pricing

The pricing process relies on estimates of future loss costs and loss adjustment expenses. If we do not accurately assess and price for the risks assumed in our insurance policies, profitability could be negatively affected. On the other hand, setting premiums too high could impact competitiveness and growth. We price our products considering numerous factors, including claims frequency and severity trends, product line expense ratios, special risk factors, reinsurance costs, the capital required to support the product line, the investment income earned on that capital, and the competitive landscape of the insurance markets where we compete. Our Company’s pricing processes are designed to ensure an appropriate return on capital. These factors are reviewed and adjusted periodically to ensure they reflect the current environment. For example, technological change implemented by insureds could change the profile of the risks insured by our policies. Our Company seeks to manage this risk through the effective use of underwriting policies and guidelines, and by disciplined risk selection. Careful oversight is applied and guidelines are reviewed to reflect emerging trends. Insurance risk is further mitigated through effective claims and expense management and through the use of reinsurance.

2 – Concentration of insurance risk and exposure to large losses

Concentration risk is the risk that our Company's insurance products are concentrated within a particular geographic area, industry, class of business, or insured, thereby increasing the exposure of our Company to a single event or a series of related events. Unexpected large losses may result from events such as the unforeseen failure of a large contractor, as a result of accumulations of large numbers of insurance or reinsurance contracts exposed to similar perils, adverse economic conditions, exposure to mass torts, terrorism, natural or man-made catastrophes or global pandemics. Climate change may increase the frequency or severity on natural catastrophes. Large losses could also be the result of future unforeseen changes in the legal environment that could broaden our insurance coverage beyond the policy's original intent. Exposure could also aggregate through cyber-attacks whether directly covered under our policies or through "silent cyber" where potential losses are not specifically included nor excluded in the policy wording. Certain policy exclusions could also be found to be unenforceable. When a large loss or a concentration of losses is identified, we may be required to strengthen reserves which could decrease earnings in that period. We seek to mitigate this risk through monitoring and modeling techniques to review the portfolio for concentration and aggregation of risks and through the purchase of reinsurance. We make adjustments as needed in order to ensure exposures are within tolerances. The active management of our reinsurance programs and collateral requirements is also an important element in maintaining net claims exposures within the Company's risk tolerance.

3 – Estimates of Loss Reserves

The liability for unpaid claims and loss adjustment expense represents an estimate of the ultimate cost of all claims incurred but not paid by the statement of financial position date. The reserving process employed in determining future claims and loss adjustment expense payments includes consideration of individual case claims and loss adjustment expense estimates on open reported claims as well as provisions for future development of such estimates and claims and loss adjustment expense related to incurred but not reported claims. Under IFRS 17, further provisions are made for the time value of money by applying discount rates based on risk free yield curves, adjusted to reflect the characteristics of the cash flows and the liquidity of the insurance contracts. The Company uses qualified actuaries in its reserving processes.

In estimating liabilities for incurred claims, a range of actuarial techniques are used. Typically, these techniques consider historical loss development factors and payment patterns. They require the use of assumptions relating to future development of claims and loss adjustment expense, future rates of claims frequency and severity, claims inflation, the level of insurance fraud, payment patterns and reinsurance recoveries, taking into consideration the nature of the insurance policies. Most or all of these factors are not directly quantifiable, particularly on a prospective basis, and the effects of these and unforeseen factors could negatively impact our Company's ability to accurately assess the reserves required for the policies that we write. Typically, the delay to ultimate settlement of claims increases the uncertainty of the estimate of the ultimate cost of those claims and loss adjustment expense. The uncertainty in estimation tends to be higher for long-tail lines where information typically emerges over time. The measurement of insurance contract liabilities includes a risk adjustment for non-financial risk to be applied to the present value of the estimated future cash flows. The risk adjustment is our Company's compensation for bearing the uncertainty relating to non-financial risk. The non-financial risk pertains to the amount and timing of cash flows as our Company fulfils insurance contracts. The liabilities for incurred claims are reviewed regularly and evaluated in light of emerging claims experience and changing circumstances. Nonetheless, although our Company's management believes our overall reserve levels as at the date of the financial statements are adequate to meet our obligations under existing policies, actual losses may deviate, perhaps substantially, from the reserves reflected in our Company's financial statements. To the extent reserves prove to be inadequate, our Company would have to increase such reserves and incur a charge to earnings.

Availability and Cost of Reinsurance

Our reinsurance arrangements are with a number of reinsurers. A decline in the availability of reinsurance or an increase in the cost of reinsurance could increase costs or materially impact the amount of business we could underwrite. There can be no assurance that developments may not occur in the future which might cause a shortage of reinsurance capacity in those classes of business which we underwrite.

Ability to Recover Amounts Due from Reinsurers

Our Company uses reinsurance in the ordinary course of business to reduce its exposure to any one claim or event under the policies we issue. Reinsurance is also a key component of the Trisura hybrid fronting model. Reinsurance does not relieve our Company of its obligations to policyholders. Our Company is ultimately at risk on the limits of coverage provided under insurance policies we write, regardless of whether we have ceded a portion of this exposure to reinsurers. If a reinsurer is unwilling or unable to satisfy its obligations, our Company does not have the right to correspondingly reduce its claims payment obligations. A reinsurer may be unwilling or unable to satisfy its obligations to our Company for multiple reasons, including due to disagreement over the reinsurer's obligations under a reinsurance contract, or a financial failure of the reinsurer.

If our Company fails to realize a reinsurance recoverable owed under these arrangements our financial condition could be materially and adversely affected. The Company has a reinsurance risk management policy in place to manage the credit risk associated with Recoverables from reinsurers including criteria for using licensed reinsurers, minimum credit ratings and concentration limits. When the Company uses un-registered or un-rated reinsurers, agreed upon collateral is used to manage credit risk.

For more information on reinsurance and the Company's management of its recoverable amounts due from reinsurers, see Note 14 – Reinsurance contracts, Note 22 (Roll-forward of net asset for reinsurance contracts held showing Asset for remaining coverage (ARC) and Asset for incurred claims (AIC)), and Note 23.2 (Credit risk) to the Consolidated Financial Statements.

Financial Risks:

The significant financial risks are credit risk, liquidity risk and market risk (comprising currency risk, interest rate risk and other price risks such as equity risk). The notes to our Company's Consolidated Financial Statements provide further detail on these risks and the ways in which we monitor and control these risks. To the extent that those risks emerge, they could have a material adverse effect on our Company's business, financial condition and performance.

1 – Credit Risk

Credit risk is the risk that a party to a financial instrument will fail to discharge an obligation and cause our Company to incur a financial loss. Credit risk arises mainly from investments in bonds and short-term securities, and balances receivable from insurance brokers and reinsurers. Concentrations of credit risk can arise from exposures to a single debtor, a group of related debtors or groups of debtors that have similar risk characteristics, for example they may operate in the same or similar industries. For premiums receivable, our Company uses insurance brokers, managing general agents, and program administrators as intermediaries for the distribution of its product offerings and is therefore subject to the risk that these agents fail to remit the premiums they have collected on its behalf. With respect to credit risk associated with recoveries under reinsurance contracts, see the section "Ability to Recover Amounts Due from Reinsurers". Our investment policies mitigate credit risk through requirements relating to type, credit quality, size and duration of permitted investments among other factors. Management monitors credit quality on an ongoing basis. For premiums receivable, the Company monitors accounts receivable and follows up all past due amounts to ensure satisfactory collection arrangements are in place. See Note 23.2 (Credit risk) to the Consolidated Financial Statements for more information on the management of credit risk.

2 – Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Generally, our Company's financial liabilities are settled by delivering cash from the cash flow generated from its operations to satisfy its liquidity requirements, which are primarily operating expenses and claims and loss adjustment payments. By their nature, the timing and quantum of claims and loss adjustment payments are subject to significant uncertainty and are estimated actuarially. Although our Company has reinsurance treaties in place under which a portion of the claim payments may be recovered, including by way of set off against premiums payable to the reinsurers, such recoveries usually follow the making of payments and often delays of a number of months can occur. Hence our Company must have access to sufficient liquid resources to fund gross amounts payable when required. To manage its liquidity requirements, the Company keeps some of its assets in cash and cash equivalents and has a highly rated, highly liquid investment portfolio. The Company's investment policy sets out credit quality criteria and has limits on single issuer exposures. See Note 23.3 (Liquidity risk) to the Consolidated Financial Statements for more information on the management of liquidity risk.

3 – Market Risk

Exposure to this risk results from business activities including investment transactions involving the purchase or sale of financial instruments. Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices which could be driven by financial market conditions, general economic conditions, political conditions, or other factors. Market risk includes currency risk, interest rate risk and other price risks such as equity risk. See Note 23.4 (Market risk) of the Consolidated Financial Statements for more information on the management of market risk.

i) Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Our Company has operations in the United States and Canada and therefore has exposure to currency risk arising from fluctuations in exchange rates of the Canadian dollar against the USD. The Company also has currency risk as a result of holding investments in the Company's Canadian operations denominated in USD. The foreign currency positions of the Company are monitored regularly and the Company may use derivatives to manage foreign exchange risks.

ii) Interest Rate Risk

Interest rate risk is the potential for financial loss resulting from changes in interest rates. Bonds and preferred shares are subject to interest rate risk although, in the case of bonds, to the extent they are held to maturity, the risk is limited to the reinvestment yield being different from the original yield to maturity. The fair value of bonds generally changes inversely with changes in market rates of interest, with greater impact to bonds with longer durations. The Company's unpaid claims balance is also subject to interest rate risk which typically acts as a natural hedge to the interest rate of the asset portfolio. The Company manages its interest rate risk through its investment policy which considers average duration of bonds held as well as asset liability matching.

iii) Equity Price Risk

Equity price risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Company's exposure to equity price risk is managed and mitigated through its investment policy which sets out maximum exposures to equities at aggregate and per issuer levels as well as requiring diversification across different industry sectors.

Cyber-Security

Our information technology systems may be subject to cyber terrorism intended to obtain unauthorized access to our proprietary information, destroy data or disable, degrade or sabotage our systems, often through the introduction of computer malware, social engineering, cyber-attacks and other means, and could originate from a wide variety of sources, including internal, known or unknown third parties. If our information systems are compromised, do not operate or are disabled, this could have a material adverse effect on our business prospects, financial condition, or results of operations. Additionally, if our information systems are compromised and personally identifiable information is released, there could be regulatory reporting obligations leading to material reputational harm or even litigation. In order to mitigate these risks, we have taken proactive actions and are continuously enhancing our cyber-security posture through strong network security , network monitoring, third party vulnerability assessments, employee training and awareness, data backups, disaster recovery testing, cyber-security incident planning and table-top exercises.

Credit Ratings

Rating agencies evaluate our ability to honour financial obligations and for our insurance subsidiaries, our ability to pay claims. The ratings are subject to periodic review using, among other things, proprietary capital adequacy models, and are subject to revision or withdrawal at any time. Ratings are an important factor in establishing and maintaining our competitive position in the specialty insurance market and especially in commercial insurance. See the Company's Annual Information Form for more information on credit ratings.

There can be no assurances that Trisura will be able to maintain its current ratings. Any downgrade in these ratings would likely adversely affect our business through the loss of certain existing and potential policyholders to other companies with higher ratings, and through certain insurance brokerage firms with which we now do business seeking a higher rated issuing carrier to write their business. A downgrade of our issuer credit rating could result in materially higher borrowing cost. Credit downgrades could impact our ability to raise capital or increase the cost of capital we can raise.

Risks of pandemics epidemics and other public health emergencies

Existing or future outbreaks of pandemics, epidemics, and infectious diseases could have a material adverse effect on the economy, on our ability to operate, on our financial condition and on results of operations. The nature and extent of the impact of such events as well as any response to them are highly uncertain and difficult to predict. There can be no assurance that strategies implemented by the company or governments to address these risks will mitigate the adverse impacts related to an outbreak.

Such developments may result in a material adverse effect on our assets, liquidity, financial condition and the operating results of our insurance business due to its impact on the economy and global financial markets. There can be no assurance that strategies to address these risks will mitigate any adverse impacts related to pandemics, epidemics or public health emergencies.

Negative Publicity in the Specialty Insurance Industry

A number of our Company's products and services are ultimately distributed to individual consumers. From time to time, consumer advocacy groups or the media may focus attention on products and service of the specialty insurance industry or our Company, thereby subjecting the specialty insurance industry or our Company to periodic negative publicity. Negative publicity may also result in increased regulation and legislative scrutiny of practices in the specialty insurance industry as well as increased litigation. Such consequences may increase our Company's costs of doing business and adversely affect our Company's profitability by impeding our ability to market our products and services or increasing the regulatory burdens under which our Company operates.

Reliance on Key Personnel and Talent Retention

The success of our Company depends upon the personal efforts of our senior management. The loss of the services of such key personnel could have a material adverse effect on the operations of our Company. In addition, our Company's continued growth depends on our ability to attract and retain skilled management and employees and the ability of our key personnel to manage our Company's growth. Recruiting and retaining skilled personnel is costly and highly competitive. If our Company fails to retain, hire, train and integrate qualified employees and contractors, we may not be able to maintain and expand our business. Certain key personnel are not bound by non-competition covenants. If such personnel depart our Company and subsequently compete with our Company or determine to devote significantly more time to other business interests, such activities could have a material adverse effect on our Company's business, financial condition and performance. The Company's strategies to manage this risk include succession planning for key employees, employee engagement surveys and third-party compensation reviews.

Litigation Risk

The Company is subject to claims and litigation in the ordinary course of business resulting from alleged errors and omissions in placing specialty insurance and in handling claims. The placement of specialty insurance and the handling of claims involve substantial amounts of money. Since negligence claims against our Company may allege our Company's potential liability for all or part of the amounts in question, claimants may seek large damage awards and these claims can involve significant defense costs. Claims of negligence against our Company could include, for example, errors and omissions or intentional wrongful acts by the Company's employees or agents, in the adjudication of claims, in the placing of coverage, in the handling of consumer complaints, in failing to appropriately and adequately disclose insurer fee arrangements to consumers, or in the handling of funds that we hold for our customers on a fiduciary basis. It is not always possible to prevent or detect errors and omissions, and the precautions our Company takes may not be effective in all cases. In addition to litigation associated with our insurance policies, we also face risk associated with general corporate and commercial litigation. To the extent that these risks emerge, they could have a material adverse effect on our Company's business, financial condition and performance. In addition, litigation may harm our Company's reputation or divert management resources away from operating our business.

Holding Company

Trisura Group Ltd. is a holding company and its material assets consist primarily of interests in our operating subsidiaries. Consequently, we depend on distributions and other payments from our operating businesses to provide us with the funds necessary to meet our holding company financial obligations. Our operating businesses are legally distinct from Trisura Group Ltd. and some of them are or may become restricted in their ability to pay dividends and distributions or otherwise make funds available to Trisura Group Ltd. pursuant to local law, regulatory requirements and their contractual agreements, including agreements governing their financing arrangements. Our operating businesses are generally required to meet their policyholder and other obligations before making distributions to Trisura Group Ltd.

Adverse Effects of Regulatory Changes

The specialty insurance industry is heavily regulated. Changes in the regulations governing the specialty insurance industry in any jurisdiction in which we operate, or increased regulations, may significantly affect the operations and financial results of our Company. Our Company is subject to the laws, rules and regulations of the jurisdictions in which we carry on business, including Canada, the US and Barbados. These laws, rules and regulations cover many aspects of our business, the assets in which we may invest, the levels of capital and surplus and the standards of solvency that we must maintain, and the amounts of dividends which we may declare and pay. Changes to laws, rules or regulations are difficult to predict and could materially adversely affect our Company's business, results of operations and financial condition. In addition, more restrictive laws, rules or regulations may be adopted in the future that could make compliance more difficult or expensive. Trisura Canada is regulated by OSFI and other provincial regulators in the provinces in which it conducts business. Trisura US is regulated by the Department of Insurance in Oklahoma, as well as other state regulatory agencies in which it conducts business. Each of these regulators has broad supervisory and regulatory powers available to them in connection with licenses, solvency capital requirements, investments, dividends, corporate governance, requirements for key personnel, conduct of business rules, periodic examinations and reporting requirements. The regulators have the authority to take enforcement actions and impose sanctions, including directing the regulated entity to refrain from a course of action or to perform acts necessary to remedy situations, imposing fines or assessments and the withdrawal of authorization. In certain circumstances, the regulators may take control of regulated insurance or reinsurance companies. There is no guarantee that these regulators would not take such actions under certain circumstances with respect to Trisura Canada, or Trisura US. The imposition of such actions could have a material adverse effect on our business, financial condition and performance.

Change of Control Restrictions of US Insurance Laws

The laws of the State of Oklahoma, where Trisura US is domiciled, require prior approval by the Department of Insurance in Oklahoma of any change of control of an insurer. "Control" is defined as the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of the regulated insurance company, whether through the ownership of voting securities, by contract or otherwise. Control is presumed to exist through the direct or indirect ownership of 10% or more of the voting securities of an insurance company domiciled in Oklahoma or any entity that controls an insurance company domiciled in Oklahoma. Any person wishing to acquire "control" of our Company would first be required to obtain the approval of the Department of Insurance in Oklahoma or file appropriate disclaimers. These laws may discourage potential acquisition proposals and may delay, deter or prevent a change of control of our Company, including through transactions (and in particular, unsolicited transactions), that some or all of our shareholders might consider to be desirable.

Regulatory Challenges to Use of Fronting Arrangements

Trisura enters into arrangements under which it permits its licensed status to be used in partnerships with high quality and/or collateralized reinsurers to issue insurance policies originated by program administrators or brokers. The program administrator underwrites (consistent with rates and forms agreed to by Trisura and its reinsurers), and administers the business, and the reinsurers reinsure a large portion of the risks. This is considered a hybrid "fronting" arrangement. In some instances, all insurance risk is ceded. Trisura receives a fee, and shares its proportionate share in the profits or losses of the business it writes with the reinsurers. Some insurance regulators may object to Trisura's fronting arrangements.

Notwithstanding the state law restrictions on ceding insurers, the Non-admitted and Reinsurance Reform Act contained in the United States Dodd-Frank Wall Street Reform and Consumer Protection Act (the "NRRA") provides that all laws of a ceding insurer's nondomestic state (except those with respect to taxes and assessments on insurers or insurance income) are pre-empted to the extent that they otherwise apply the laws of the state to reinsurance agreements of nondomestic ceding insurers. The NRRA places the power to regulate reinsurer financial solvency primarily with the reinsurer's domiciliary state and requires credit for reinsurance to be recognized for a nondomestic ceding company if it is allowed by the ceding company's domiciliary state. A state insurance regulator might not view the NRRA as pre-empting a state regulator's determination that an unauthorized reinsurer must obtain a license or that a statute prohibits Trisura from engaging in a fronting business. However, such a determination or a conflict between state law and the NRRA could cause regulatory uncertainty about Trisura's fronting business, which could have a material and adverse effect on our business, financial condition, results of operations and prospects.

Future Acquisitions

Part of our Company's growth strategy involves seeking acquisition opportunities. We face competition for acquisitions, including from our competitors, many of whom will have greater financial resources than us. There can be no assurance that we will complete acquisitions. In addition, future acquisitions will likely involve some or all of the following risks, which could materially and adversely affect our Company's business, financial condition or results of operations: the difficulty of integrating the acquired operations and personnel into our current operations; potential disruption of our current operations; diversion of resources, including our Company's management's time and attention; the difficulty of managing the growth of a larger organization; the risk of not attaining expected benefits; the risk of entering markets in which we have little experience; the risk of becoming involved in labour, commercial or regulatory disputes or litigation related to the new enterprise; the risk of environmental or other liabilities associated with the acquired business; and the risk of a change of control resulting from an acquisition triggering rights of third parties or government agencies under contracts with, or authorizations held by, the operating business being acquired. It is possible that due diligence investigations into businesses being acquired may fail to uncover all material risks, or to identify a change of control trigger in a material contract or authorization, or that a contractual counterparty or government agency may take a different view on the interpretation of such a provision to that taken by us, thereby resulting in a dispute.

Inability to Generate Necessary Amount of Cash to Service Existing Debt

Our Company's ability to pay principal and interest on our outstanding debt will depend on its future financial performance. Our Company's ability to generate cash will depend on many factors, some of which may be beyond its control, including general economic, financial and regulatory conditions. If our Company cannot generate enough cash flow in the future to service its debt or cannot renew the credit facility or other outstanding debt on its existing terms, it may need to refinance its debt, obtain additional financing (on terms that may be less favourable than existing financing terms) or sell assets. Our Company might not be able to implement any of these strategies on satisfactory terms or on a timely basis, if at all. If our Company is unable to meet its debt service obligations or comply with its covenants, a default under the credit facility of other outstanding debt would result.

Future Capital Requirements

Our Company's future capital requirements will depend upon many factors, including the performance of the Canadian operations, continued development of our US business, and the status of competition and regulatory and rating agency requirements. There can be no assurance that financing will be available to our Company on acceptable terms, or at all. Actions to reduce inflation, including raising interest rates, increase our cost of borrowing, which in turn could make it more difficult to obtain financing on favourable terms. If additional funds are raised by issuing equity securities, dilution to our existing shareholders will result. If adequate funds are not available, our Company may be required to delay, scale back or abandon growth plans. An inability to obtain financing or similar financial support could have a material adverse effect on our Company's business, financial condition and results of operations.

Potential Volatility of Common Share Price

The market price for the Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond our Company's control, including, but not limited to, the following: (i) actual or anticipated fluctuations in our Company's quarterly results of operations; (ii) changes in estimates of our Company's future financial performance; (iii) recommendations by securities research analysts; (iv) changes in the economic performance or market valuations of other issuers that investors deem comparable to our Company; (v) the addition or departure of our executive officers and other key personnel; (vi) sales or anticipated sales of additional Common Shares; (vii) significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving our Company or our competitors; (viii) actual or prospective changes in government laws, rules or regulations affecting our businesses; (ix) the general state of the securities markets; (x) changes and developments in general economic, political, or social conditions, including as a result of global pandemics and the global economic shutdown; (xi) the depth and liquidity of the market for the Common Shares; (xii) news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in our industry or target markets; and (xiii) the materialization of other risks described in this section.

Financial markets have in the past experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of public entities and that have, in many cases, been unrelated to the operating performance, underlying asset values or prospects of such entities. Accordingly, the market price of the Common Shares may decline even if our Company's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. As well, certain institutional investors may base their investment decisions on consideration of our Company's environmental, governance and social practices and performance against such institutions' respective investment guidelines and criteria, and failure to satisfy such criteria may result in limited or no investment in the Common Shares by those institutions, which could materially adversely affect the trading price of the Common Shares. There can be no assurance that fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue for a protracted period of time, our Company's operations and the trading price of the Common Shares may be materially adversely affected.

Small Company Liquidity Risk

Trisura is a relatively small company in terms of market capitalization. As such, the share price of the Common Shares may be more volatile than the shares of larger, more established companies. The Common Shares may trade less frequently and in smaller volume than shares of large companies. As a result, it may be difficult to buy or sell the Common Shares in a timely fashion relative to buying or selling shares of large companies on the secondary market. We may also have relatively few Common Shares outstanding at any given time, so a sale or purchase of Common Shares may have a greater impact on the price of the Common Shares.

Future Sales of Substantial Amount of Share Capital

The articles of incorporation, as amended, of Trisura provide that the Company may issue an unlimited number of Common Shares, an unlimited number of non-voting shares and an unlimited number of preference shares (issuable in series), subject to the rules of any stock exchange on which Trisura's securities may be listed from time to time. If Trisura was to issue any additional Common Shares, non-voting shares or preference shares, or such other classes of authorized shares that are convertible or exchangeable for Common Shares, the percentage ownership of existing holders may be reduced and diluted. We cannot foresee the terms and conditions of any future offerings of our securities nor the effect of such offerings on the market price of the Common Shares. Any issuance of a significant percentage of Trisura's securities, or the perception that such issuances may occur, could have a material adverse effect on the market price of the Common Shares and limit our ability to fund our operations through capital raising transactions in the future. The Board of Directors has the authority to issue non-voting shares and preference shares and determine the price, designation, rights (including voting and dividend rights), preferences, privileges, restrictions and conditions of the preference shares, and to determine to whom non-voting and preference shares shall be issued.

Business Interruption from Unpredictable Catastrophic Events

Our company's operations may be subject to losses resulting from the disruption in operations. Regular functioning of our operations may be disrupted by natural catastrophes such as hurricanes, windstorms, earthquakes, hailstorms, explosions, severe winter weather and fires, by man-made catastrophic events include hostilities, terrorist acts, riots, crashes and derailments, by a disruption in key suppliers for example power grids, internet service providers, and cloud computing providers, or by an epidemic or pandemic. Certain events may also cause damage to our Company's physical property or may impact key personnel or trading positions. Our Company maintains business continuity plans and technology disaster recovery plans. If these plans cannot be put into action or are in-effective or do not take such events into account, losses may further increase.

Dependence on Technology

Our Company is heavily dependent on systems technology to process large volumes of transactions and our business would suffer if the technology employed is inadequate or inappropriate to support current and future business needs and objectives. To ensure our Company is able to effectively respond to potential technology failures and mitigate the inherent risk, our Company maintains technology disaster recovery plans for each of our operating companies.

Climate Change Risk

We are exposed to the physical risks associated with climate change which could impact the frequency and severity of severe weather events. We are also exposed to risks related to managing the shift to a lower carbon economy which may cause changes in asset values in some sectors as well as increase the legal and reputational risks of Trisura and its policyholders related to the perceived management of climate related risks. The occurrence of any of these events could result in an increase in the frequency or severity of insured claims, business disruption, reductions in the value of investments, litigation against Trisura, and reputational damage.

Third Party Risk

We engage in significant arrangements with third party suppliers, vendors, and business partners. We also rely on capacity providers and program administrators. Third parties are exposed to risks as part of their operations. Third parties may fail or may face incidents that could compromise their ability to provide service to Trisura or could expose confidential information. We are exposed to the potential failure on the part of any of these parties, whether through error, fraud, crime, failure to comply with regulatory standards, failure to comply with internal policies, business disruption or otherwise. An economic downturn, supply chain disruption, and other global political, economic, or social conditions could increase supplier failure risk. Failure of the power grid, telephone system, internet service providers and other utilities in the regions in which we operate could disrupt our operations and lead to substantial reputational damage.

The internal processes that we have in place may not be effective in all cases at identifying or mitigating these situations in time. It is not always possible to identify and correct these failures or replace suppliers quickly or economically. In such a case, our reputation, financial condition and results of operations could be negatively impacted. Depending on the length of the failure, significant opportunity costs could also be incurred.

We manage third party risk throughout the lifecycle of our relationships from due diligence through ongoing monitoring and maintenance of the relationship to ultimate termination. Due diligence and ongoing management are proportionate to the level of criticality of each relationship.

Model Risk

We rely on estimates and models in the course of our business whether internal models or vendor models. These models have a high degree of uncertainty and are based on historical data, scenarios and judgement that may not accurately reflect future conditions. For example, models are used in the estimation of Probable Maximal Loss in the contract surety and property business, in informing reinsurance purchase decisions, in investment decisions, in pricing, and in reserving. Models estimates could deviate materially from actual experience and thereby have a material negative impact on our financial condition and results of operations.

Taxation Risk

Our Company is subject to income taxes and premium taxes in the jurisdictions in which we carry on business, including Canada, the US and Barbados. Changes to tax laws or the interpretation of these tax laws by government authorities prospectively or retrospectively could have a material adverse impact on our profitability. Deferred tax assets are only recognized to the extent that it is probable that they will be realized. Estimates are used to determine the value of the deferred tax asset balance based on the assumption that the Company will generate taxable income in future years. Estimates are used to determine the taxes payable balance based on applicable tax legislation. If our Company were not to achieve the expected level of profitability, the deferred tax asset may not be realized which could have a material negative impact on our financial condition and results of operations.

SECTION 8 – OTHER INFORMATION

RATINGS

Trisura's regulated Canadian operating subsidiary has been rated A- (Excellent) by A.M. Best since 2012. Trisura's regulated US operating subsidiary obtained an A- (Excellent) rating from A.M. Best in September 2017. As at December 31, 2023 all regulated operating subsidiaries of Trisura have an A- (Excellent) rating. A.M Best increased the financial size category of the Trisura entities from VIII to IX (US $250 million to US $500 million capital) in December 2021, based on the Company's consolidated balance sheet.

In December 2023, DBRS Morningstar reaffirmed the rating of A (low) to the principal operating subsidiaries of Trisura and reaffirmed the Issuer Rating of BBB to Trisura Group Ltd, and the Senior Unsecured Notes rating of BBB to the Company's outstanding notes.

CASH FLOW SUMMARY

Table 8.1

	Q4 2023	Q4 2022[(1)]	$ variance	2023	2022[(1)]	$ variance
Net income	11,320	(40,710)	52,030	66,941	27,795	39,146
Non-cash items	(11,727)	1,640	(13,367)	5,264	2,872	2,392
Write down on reinsurance recoverables	-	81,473	(81,473)	-	81,473	(81,473)
Change in working capital	100,302	13,050	87,252	194,038	82,619	111,419
Realized losses (gains)	1,769	(3,087)	4,856	3,950	(10,066)	14,016
Income taxes paid	(1,736)	(2,272)	536	(9,841)	(31,101)	21,260
Interest paid	(1,115)	(1,056)	(59)	(2,439)	(2,662)	223
Net cash from operating activities	98,813	49,038	49,775	257,913	150,930	106,983
Proceeds on disposal of investments	12,894	24,085	(11,191)	102,492	144,168	(41,676)
Purchases of investments	(41,001)	(50,712)	9,711	(219,121)	(384,030)	164,909
Net purchases of capital and intangible assets	32	(397)	429	(714)	(2,131)	1,417
Net cash used in investing activities	(28,075)	(27,024)	(1,051)	(117,343)	(241,993)	124,650
Shares issued	(63)	282	(345)	51,507	145,442	(93,935)
Shares purchased under RSU plan	436	221	215	(1,409)	(1,946)	537
Loans received	-	-	-	-	30,000	(30,000)
Loans repaid	-	-	-	-	(30,000)	30,000
Principal portion of lease payments	(510)	(481)	(29)	(2,034)	(1,905)	(129)
Net cash (used in) from financing activities	(137)	22	(159)	48,064	141,591	(93,527)
Net increase in cash and cash equivalents	70,601	22,036	48,565	188,634	50,528	138,106
Cash and cash equivalents, beginning of period	531,484	384,553	146,931	406,368	341,319	65,049
Currency translation	1,931	(221)	2,152	9,014	14,521	(5,507)
Cash and cash equivalents, end of period	604,016	406,368	197,648	604,016	406,368	197,648

(1) Comparatives have been restated to conform with adoption of new accounting standards, see Section 10 – Accounting and Disclosure Matters.

CASH FLOW SUMMARY (CONTINUED)

In Q4 2023, Net cash from operating activities was positive as a result of positive change in working capital at Trisura US and Trisura Canada and net income generated from the Canadian operations. For the YTD period Net cash from operating activities was positive largely driven by positive cash flow from the operating activities of Trisura Canada, and to a lesser extent from Trisura US whose cash inflow was partially offset by certain cash outflows associated with the run off program. Net cash from operating activities was greater than Q4 and YTD 2022 as a result of a larger change in working capital during those periods and higher net income, as well as lower cash outflows associated with taxes paid.

Net cash used in investing activities in Q4 and YTD 2023 reflected primarily the purchase and disposal of portfolio investments in operating subsidiaries, and was higher than Q4 2022, but lower than YTD 2022. In Q4 and full year 2023 Proceeds on disposal of investments were lower than 2022, as there were fewer disposals during Q4 and full year 2023. Purchases of investments were lower in Q4 and YTD 2023 than in Q4 and YTD 2022 as a result of fewer purchases in those periods. Purchases were particularly high in Q3 2022 as a result of deployment of the equity offering from Q3 2022.

Net cash from financing activities was approximately the same in Q4 2023 as Q4 2022. Net cash from financing activities was lower for full year 2023 than 2022, as 2022 included the proceeds of a larger equity offering than that of 2023.

SEGMENTED REPORTING

Table 8.2

As at	December 31, 2023			
	Trisura Canada	Trisura US	Corporate and other	Total[1]
Assets[2]	1,008,169	2,463,918	112,358	3,584,445
LiabiDlities[2]	718,385	2,193,711	52,920	2,965,016
Shareholders' Equity[2]	289,784	270,207	59,438	619,429
Book Value Per Share, $	6.09	5.68	1.25	13.02

Table 8.3

As at	December 31, 2022[3]			
	Trisura Canada	Trisura US	Corporate and other	Total[1]
Assets[2]	750,056	1,952,537	96,272	2,798,865
Liabilities[2]	539,192	1,710,980	55,042	2,305,214
Shareholders' Equity[2]	210,864	241,557	41,230	493,651
Book Value Per Share, $[4]	4.60	5.26	0.90	10.76

(1) *Total reflects the Group's Assets, Liabilities, and Book Value Per Share.*
(2) *Individual segmented amounts are supplementary financial measures. The total amount is presented in the Consolidated Financial Statements.*
(3) *Comparatives have been restated to conform with adoption of new accounting standards, see Section 10 – Accounting and Disclosure Matters.*
(4) *Book Value per Share balances have been updated from the presentation in Table 8.3 in the Q1 2023 MD&A, Q2 2023 MD&A, and Q3 2023 MD&A. The amendments are limited to Table 8.3 only.*

CONTRACTUAL OBLIGATIONS

Table 8.4

As at December 31, 2023	Payments due by period			
	Total	Less than 1 year	1 – 5 years	Thereafter
Debt outstanding	75,000	-	75,000	-
Interest payments on debt(1)	4,952	1,981	2,971	-
Lease liabilities(2)	10,908	2,571	5,737	2,600
Total contractual obligations	90,860	4,552	83,708	2,600

(1) *Based on the Company's fixed borrowing rate on the outstanding senior unsecured notes. For details, see Note 16.2 in the Company's Consolidated Financial Statements.*

(2) *See Note 10 in the Company's Consolidated Financial Statements for details on Leases.*

Table 8.5

As at December 31, 2022	Payments due by period			
	Total	Less than 1 year	1 – 5 years	Thereafter
Debt outstanding	75,000	-	75,000	-
Interest payments on debt(1)	6,933	1,981	4,952	-
Lease liabilities(2)	13,260	2,630	7,206	3,424
Total contractual obligations	95,193	4,611	87,158	3,424

(1) *Based on the Company's fixed borrowing rate on the outstanding senior unsecured notes. For details, see Note 16.2 in the Company's Consolidated Financial Statements.*

(2) *See Note 10 in the Company's Consolidated Financial Statements for details on Leases.*

FINANCIAL INSTRUMENTS

See Notes 4, 5, 6, 7, and 8 in the Company's Consolidated Financial Statements for financial statement classification of the change in fair value of financial instruments, significant assumptions made in determining the fair values, amounts of income, expenses, gains and losses associated with the instruments.

ACCOUNTING ESTIMATES

See Note 3 in the Company's Consolidated Financial Statements for accounting estimates on insurance contract liabilities, level 3 investments, Recoverable from reinsurers, the provisions on income taxes, impairment of financial instruments, as well as ECL calculations.

See Note 2 in the Company's Consolidated Financial Statements for future accounting policy changes including accounting policy changes related to IAS 12 – *Income taxes, International tax reform – Pillar Two Model Rules.*

SECTION 9 – SUMMARY OF RESULTS

SELECTED QUARTERLY RESULTS

Table 9.1

	2023				2022[1]			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Insurance revenue	754,953	730,714	664,420	639,100	595,742	550,861	464,643	403,669
Insurance service result[2]	4,159	24,749	39,712	16,715	(53,762)	28,590	27,452	26,906
Net income (loss)[2]	11,320	14,838	26,807	13,976	(40,710)	24,224	20,943	23,338
EPS, basic (in dollars)	0.23	0.32	0.58	0.30	(0.89)	0.54	0.51	0.57
EPS, diluted (in dollars)	0.23	0.31	0.57	0.30	(0.87)	0.53	0.50	0.55
Total assets[2]	3,584,445	3,404,909	3,120,190	2,977,074	2,798,865	2,698,454	2,148,588	1,939,615
Total non-current financial liabilities[3]	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000

(1) *Amounts have been restated to reflect the adoption of IFRS 17, but not IFRS 9 which is applied prospectively with effect from January 1, 2023. See Section 10 – Accounting and Disclosure Matters.*
(2) *Certain balances from 2022 Insurance service result, 2022 Net income (loss), as well as 2022 Total assets have been reclassified from the presentation in Table 9.1 in the Q1 2023 MD&A and Q2 2023 MD&A to reflect the adoption of IFRS 17 on these balances. The amendments are limited to Table 9.1 only.*
(3) *See Note 16 in the Company's Consolidated Financial Statements for details on Loan payable.*

Insurance revenue has generally grown over time, and quarter over quarter reflecting growth in the business.

Insurance service result has generally grown when compared to the prior year, reflecting growth in the business, with some exceptions. In Q4 2022, the company experienced a write down on reinsurance recoverables which caused Insurance service result and Net income to be negative in that quarter. In Q1 2023, a loss from a run-off program caused a decline in Insurance service result compared to Q1 2022. In Q2 2023, a positive impact of the run-off program caused Insurance service result to be greater than it otherwise would have been. In Q3 2023, a loss from a run-off program caused Insurance service result to be lower than what it otherwise would have been, and lower than Q3 2022. In Q4 2023, a loss from a run-off program caused insurance service result to be lower than it otherwise would have been, however it was still greater than Q4 2022 due to the impact of the write down on reinsurance recoverables.

Net income (loss) has also experienced volatility quarter over quarter as a result of the write down on reinsurance recoverables in Q4 2022, and the impact of the run-off program in 2023. In Q2 2023, Net income was positively impacted by the run-off program, while in Q1, Q3 and Q4 2023 net income was negatively impacted by the run-off program. Beginning in 2023, Net income can now be impacted by unrealized gains and losses on investments classified as FVTPL under IFRS 9. EPS, Basic (in dollars) and EPS, diluted (in dollars), have been impacted by the same factors as Net income (loss).

Total assets have generally grown over time and quarter over quarter as the business has grown.

Total non-current financial liabilities reflect outstanding debt which has not changed during 2023 or 2022.

SELECTED ANNUAL RESULTS

Table 9.2

	2023	2022(1)	2021(2)
Insurance revenue	2,789,187	2,014,915	N/A
Gross premiums written	N/A	N/A	1,563,206
Insurance service result	85,335	29,186	N/A
Net premiums written and fee income	N/A	N/A	448,016
Net income attributable to shareholders	66,941	27,795	62,559
EPS, basic (in dollars)	1.44	0.64	1.52
EPS, diluted (in dollars)	1.42	0.63	1.49
Total assets	3,584,445	2,798,865	3,000,354
Total non-current financial liabilities(3)	75,000	75,000	75,000

(1) Amounts have been restated to reflect the adoption of IFRS 17, but not IFRS 9 which is applied prospectively with effect from January 1, 2023. See Section 10 – Accounting and Disclosure Matters.

(2) Amounts have not been restated to reflect the adoption of IFRS 9 and IFRS 17. See Section 10 – Accounting and Disclosure Matters.

(3) See Note 16 in the Company's Consolidated Financial Statements for details on Debt outstanding.

The balances presented above have generally grown over time, reflecting growth in the business. A write down in 2022 caused a decline in Insurance service result, net income and earnings per share in the year. Total assets decreased from 2021 to 2022 as a result of the adoption of IFRS 17.

SECTION 10 – ACCOUNTING AND DISCLOSURE MATTERS

CHANGES IN ACCOUNTING POLICIES

a) ***IFRS 17 – Insurance Contracts ("IFRS 17")***

IFRS 17 replaces IFRS 4, *Insurance Contracts,* and became effective on January 1, 2023, with a transition date of January 1, 2022. IFRS 17 requires that the Company apply the standard retrospectively unless impracticable, in which case the Company may elect to use a modified retrospective or fair value method. The Company is applying the standard using a full retrospective approach, and has recognized any difference in equity. Presentation and disclosure on the financial statements has changed significantly, as described below, however the impact to total equity is not significant. The Company does not expect that the standard will have a material impact to the business.

Presentation and disclosures

IFRS 17 has introduced significant changes to the presentation and disclosure of insurance and reinsurance related items in the consolidated financial statements including:

Changes in presentation in the Company's Consolidated Statements of Financial Position include:

- the reclassification of premiums receivable, deferred acquisition costs, unpaid claims and loss adjustment expenses, unearned premiums, and premium taxes payable to be presented together as a single line item named insurance contract liabilities; and
- the reclassification of recoverable from reinsurers, reinsurance premiums payable, and unearned reinsurance commissions to be presented together as a single line item named reinsurance contract assets.

Changes in presentation in the Company's Consolidated Statements of Comprehensive Income include:

- gross premiums written is replaced by insurance revenue, where premiums are recognized on an earned basis;
- income and expenses from insurance contracts issued will be presented separately from net income (expense) from reinsurance contracts assets; and
- all directly attributable insurance acquisition expenses will be included in the insurance service expenses line item, while the remainder of expenses will be recorded under other operating expenses.

Retained earnings	
Closing balance under IFRS 4 (31 December 2021)	66,692
Impact of initial application of IFRS 17 related to the deferral of acquisition cash flows[1], tax effected	8,374
Impact of initial application of IFRS 17 related to the measurement of the LIC and reinsurance assets[2], tax effected	(1,049)
Total change to retained earnings	7,325
Opening balance under and IFRS 17 (1 January 2022)	74,017

(1) Under IFRS 17 Insurance acquisition cash flows attributable to insurance contracts issued are required to be deferred and amortized through insurance service expense. As a result, certain operating expenses which were previously expensed are now deferred and amortized.
(2) Under IFRS 17, the Reinsurance assets are lower than the equivalent measures under IFRS 4 as a result of a provision for non-performance.

Measurement model

Under IFRS 17, there are two main measurement models to account for insurance contracts, the general measurement model ("GMM") and the premium allocation approach ("PAA"). Under the GMM, insurance contracts must be valued using current estimates of discounted future cash flows, an explicit risk adjustment for non-financial risk, and a contractual service margin that reflects the present value of the expected profit from fulfilling the contracts which is to be recognized into income over the coverage period. The PAA is a more simplified measurement model that is to be applied to insurance contracts with coverage periods of one year or less or where the liability for remaining coverage ("LRC") under the PAA is not materially different to the LRC under the GMM.

The Company uses a model for evaluating whether the LRC under the GMM differs materially from the LRC under the PAA for any insurance contracts with a coverage period greater than one year, and based on management's analysis, no material differences in LRC were noted. Accordingly, the Company is applying PAA to all of its insurance contracts.

The Company measures its reinsurance assets for a group of reinsurance contracts that it holds on the same basis as insurance contracts that it issues, however, adapted to reflect the features of reinsurance contracts assets that differ from insurance contracts issued, for example the recognition of expenses or reduction in expenses rather than revenue. For reinsurance contracts assets, on initial recognition, the Company measures the remaining coverage at the amount of ceding premiums paid.

The Company measures the carrying amount of the LRC at the end of each reporting period as the LRC at the beginning of the period, plus premiums received in the period, minus insurance acquisition cash flows paid or derecognized from insurance acquisition asset, plus any amounts relating to the amortization of the insurance acquisition cash flows recognized as an expense in the reporting period for the Company, plus any adjustment to the financing component, where applicable, minus the amount recognized as insurance revenue for the coverage period, minus any investment component paid or transferred to the liability for incurred claims

The Liability for incurred claims ("LIC") represents an estimate of the ultimate cost of all claims incurred but not paid by the statement of financial position date. The estimation process employed in determining future claims and loss adjustment expense ("LAE") payments includes consideration of individual case estimates of claims and LAE payments on reported claims, provision for future development of case estimates on reported claims, and provision for claims and LAE related to incurred but not reported ("IBNR") claims. Further provisions are made for the time value of money. The Company uses qualified actuaries in its reserving processes.

Discounting of insurance contract liabilities

Under IFRS 17, estimates of future cash flows are to be discounted to reflect the time value of money and financial risks related to those cash flows. The Company discounts estimates of future cash flows using risk-free yield curves adjusted to reflect the characteristics of the cash flows and the liquidity of the insurance contracts.

Risk adjustment

The measurement of insurance contract liabilities includes a risk adjustment for non-financial risk to be applied to the present value of the estimated future cash flows. The risk adjustment is the Company's compensation for bearing the uncertainty relating to non-financial risk. The non-financial risk pertains to the amount and timing of cash flows as the Company fulfils insurance contracts. The risk adjustment replaces the provision for adverse deviation. The Company is applying a quantile approach for its non-financial risks.

For reinsurance contracts assets, the risk adjustment for non-financial risk represents the amount of risk being transferred by the Company to the reinsurer.

Onerous contracts

To determine if a group of contracts are onerous, the Company considers facts and circumstances based on the expected fulfilment cash flows, pricing data, the outcomes of similar contracts, and the operating and regulatory environment. At initial recognition, the Company assumes that no contracts are onerous, unless facts and circumstances indicate otherwise, as all the Company's contracts meet the PAA criteria. If at any time during the coverage period, the facts and circumstances indicate that a group of insurance contracts is onerous, the Company establishes a loss component as the difference between fulfilment cash flows that relate to the remaining coverage of the group over the carrying amount of the LRC of the group.

Insurance acquisition cash flows

Insurance acquisition cash flows consist of costs of selling, underwriting, and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs. The Company defers insurance acquisition cash flows and these expenses are recognized as Insurance service expense as the related premiums are recognized as Insurance revenue.

Insurance revenue and Insurance service expenses

The Company recognizes insurance revenue for each period over the coverage period of a group of contracts. The Company recognizes groups of insurance contracts from the earliest of the following: the beginning of the coverage period of the group of contracts, the date when the first payment from a policyholder in the group is due, or for a group of onerous contracts, when the group becomes onerous. Premiums are earned over the terms of the related policies, generally on a pro rata basis. There are some instances where premiums are earned over the term of the policy in accordance with the risk profile of those policies with more premiums being earned when the risk exposure from the policy is greatest.

Insurance service expenses consist of amortization of insurance acquisition cash flows, incurred claims and other insurance expenses, and losses on onerous groups of contracts and reversals of such losses.

Reinsurance contracts

A group of reinsurance contracts assets that covers the losses of separate insurance contracts on a proportionate basis is recognized at the later of the beginning of the coverage period of the group, or the initial recognition of any underlying contract, and in all other cases, from the beginning of the coverage period of the group of contracts.

Level of aggregation

IFRS 17 requires a company to determine the level of aggregation for applying its requirements. The level of aggregation for the Company is determined firstly by dividing the business written into portfolios. Portfolios comprise contracts with similar risks which are managed together. Portfolios are further divided based on expected profitability at inception into three categories: onerous contracts, contracts with no significant possibility of becoming onerous, and the remainder.

Net income or expense from reinsurance contracts assets

The Company presents on the face of the statements of profit or loss and other comprehensive income, the income and expenses from a group of reinsurance contracts assets, other than insurance finance income or expenses, as a single amount, including the amounts expected to be recovered from reinsurers. Ceding commissions that are not contingent on claims of the underlying contracts issued reduce ceding premiums and are accounted for as part of reinsurance expenses. The Company recognizes reinsurance expenses based on the passage of time over the coverage period of a group of contracts.

Insurance finance income and expense

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from the effect of the time value of money and changes in the time value of money, and the effect of financial risk and changes in financial risk.

The Company records insurance finance income or expenses on insurance contracts issued in net income, including the impact of changes in market interest rates on the value of the insurance assets and liabilities.

b) IFRS 9 Financial Instruments ("IFRS 9")

IFRS 9 replaces IAS 39, *Financial Instruments: Recognition and Measurement*, and requires financial assets to be classified and measured at fair value, with changes in fair value through profit and loss ("FVTPL") as they arise, unless certain criteria are met for classifying and measuring the asset at either amortized cost or fair value through other comprehensive income ("FVOCI"). IFRS 9 also establishes new criteria for an expected credit loss ("ECL") model for the impairment assessment of financial assets held at amortized cost and at FVOCI. IFRS 9 was effective January 1, 2018, however, the IASB provided entities whose predominant activities are insurance an option to defer implementation of IFRS 9 to January 1, 2023 to coincide with the implementation of IFRS 17. The impact of new classification categories impacts unrealized gains or losses on certain items which were previously measured through OCI and will now be measured through net income, however, there is no impact to total equity or to the carrying value of any financial instruments as a result of the adoption of the new classification standard. The adoption of the standard does not have a material impact on the business.

Implementation update

The Company has adopted IFRS 9 effective January 1, 2023. The IFRS 17 amendment published by the IASB in December 2021 permitted an entity to apply a classification overlay in the comparative periods presented on initial application of IFRS 17 and IFRS 9, to avoid temporary accounting mismatches between financial assets and insurance contract liabilities. Management has determined that as the Company's financial assets, that are related to insurance contract liabilities, were previously classified and measured on a fair value basis under IAS 39, the classification overlay's impact on mitigating an accounting mismatch for the Company is limited. Accordingly, the Company has elected not to restate comparative periods, as permitted by IFRS 9. The significant impacts of the adoption of IFRS 9 on the Company's consolidated financial statements are summarized below:

Classification and measurement

Under IFRS 9, financial assets are classified as amortized cost, FVOCI, or FVTPL based on the Company's business model for managing the assets and the asset's contractual cash flow characteristics.

The Company's classification of its significant financial instruments under IFRS 9 is as follows:

Financial instruments	IAS 39 Classification	IFRS 9 Classification
Investments		
Common shares and Alternatives	AFS	FVTPL
Preferred shares	AFS	FVTPL or FVOCI – equity instruments
Fixed income	AFS	FVTPL or FVOCI – debt instruments
Derivatives	FVTPL	FVTPL
Other financial assets	Loans and receivables	Amortized cost
Financial liabilities	Amortized cost	Amortized cost

For FVOCI investments which are debt instruments, gains and losses arising from changes in fair value are recognized directly in OCI, until the investment is disposed or is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in net income for the period.

Classifications of financial instruments

i) Fair Value Through Profit or Loss ("FVTPL")

Financial assets in this category are those that are managed in a fair value business model, or that have been designated by management upon initial recognition, or are mandatorily required to be measured at fair value under IFRS 9. This category includes debt instruments whose cash flow characteristics fail the Solely Payments of Principal and Interest ("SPPI") test or are not held within a business model whose objective is either to collect contractual cash flows, or both to collect contractual cash flows and sell.

FVTPL financial instruments are carried at fair value and recognized on the trade date, with the changes in fair value recognized in net income. Transaction costs related to FVTPL financial instruments are expensed in net investment income.

ii) Fair Value Through Other Comprehensive Income ("FVOCI")

The Company applies this category under IFRS 9 for debt instruments measured at FVOCI when both of the following conditions are met: the instrument is held within a business model, the objective of which is both collecting contractual cash flows and selling financial assets, and the contractual terms of the financial asset meet the SPPI test.

These instruments largely comprise debt instruments that had previously been classified as available-for-sale under IAS 39. Debt instruments in this category are those that are intended to be held to collect contractual cash flows and which may be sold in response to needs for liquidity or in response to changes in market conditions.

The Company also applies the new category under IFRS 9 for equity instruments when both of the following conditions are met: the instrument is not held for trading, and the Company has elected the OCI option for the instrument.

These instruments largely comprise certain Preferred shares that had previously been classified as available-for-sale under IAS 39. Equity instruments in this category are those that are intended to be held to collect contractual cash flows and which may be sold in response to needs for liquidity or in response to changes in market conditions.

FVOCI financial instruments are carried at fair value and recognized on the trade date, with changes in fair value recorded as unrealized gains or losses in other comprehensive income. Transaction costs related to financial instruments classified as FVOCI are capitalized on initial recognition and, where applicable, amortized to interest income using the effective interest method.

iii) Amortized Cost

Debt instruments are held at amortized cost if both of the following conditions are met: the instruments are held within a business model with the objective of holding the instrument to collect the contractual cash flows, and the contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial instruments are held at amortized cost when they have fixed or determinable payments and are not quoted in an active market. Transaction costs are capitalized on initial recognition and are recognized in investment income using the effective interest rate method. The Company has classified Other assets (excluding derivative assets) as amortized cost. Derivative assets which are grouped with Other assets are carried at fair value.

Financial liabilities, such as Other liabilities are measured at amortized cost.

Derecognition of financial assets

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in realized gains or losses on investments.

Subsequent Measurement

i) Financial assets at FVTPL

Financial assets at FVTPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in net income. Interest earned on assets mandatorily required to be measured at FVTPL is recorded using the contractual interest rate on an effective interest rate basis. Dividend income from equity instruments measured at FVTPL is recorded in net income as net investment income when the right to the payment has been established.

ii) Debt instruments at FVOCI

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in OCI. Interest income and foreign exchange gains and losses are recognized in net income in the same manner as for financial assets measured at amortized cost. On derecognition, cumulative gains or losses previously recognized in OCI are reclassified from OCI to net income.

iii) Equity instruments at FVOCI

FVOCI equity instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in OCI. Foreign exchange gains and losses are included as unrealized gains (losses) within OCI. Dividend income is recognized in net income in the same manner as for financial assets measured at amortized cost. No impairment or ECL calculation is performed for FVOCI equity instruments. On derecognition, cumulative gains or losses previously recognized in OCI are not reclassified from OCI to net income.

Expected credit loss ("ECL")

The impairment model for measuring impairment of financial assets changed from an incurred loss model under IAS 39 to an ECL model under IFRS 9. ECL is based on probability of default, loss given default and exposure at default inputs and takes into account the expected timing of the loss. The ECL model also incorporates forward-looking economic information. IFRS 9 requires the Company to record an allowance for ECLs for all debt instruments measured at amortized cost or FVOCI. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the appropriate effective interest rate.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months ("12-month ECL"). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default ("a lifetime ECL").

The majority of the Company's debt instruments at FVOCI comprise quoted bonds that are graded in the top investment category and, therefore, are considered to be low credit risk investments. It is the Company's policy to measure such instruments on a 12-month ECL basis.

As of January 1, 2023, the adoption of the ECL requirements of IFRS 9 has resulted in increases in impairment allowances in respect of the Company's debt instruments recognized through net income, with an offsetting movement through OCI.

Transition disclosures – IFRS 9

The following pages set out the impact of adopting IFRS 9 on the statement of financial position.

A reconciliation between the carrying amounts under IAS 39 and the balances reported under IFRS 9 as of 1 January 2023 is, as follows:

	Measurement category		**Carrying amount**		
	IAS 39	**IFRS 9**	**IAS 39**	**Impact of IFRS 9**	**IFRS 9**
Cash and equivalents	Amortized cost	Amortized cost	406,368	-	406,368
Debt securities	AFS	FVOCI	582,729	(140,820)	441,909
		FVTPL	-	140,820	140,820
Preferred shares	AFS	FVOCI	101,106	(51,779)	49,327
		FVTPL	-	51,779	51,779
Common shares	AFS	n/a	34,401	(34,401)	-
		FVTPL	-	34,401	34,401
Alternatives	AFS	n/a	47,139	(47,139)	-
		FVTPL	-	47,139	47,139
			1,171,743	-	1,171,743

Impact of transition to IFRS 9 and IFRS 17 on AOCI and retained earnings

	AOCI and retained earnings
AOCI	
Closing balance under IAS 39 of unrealized gains in AOCI (31 December 2022)	(44,054)
Impact of initial application of IFRS 9 (1)	33,431
Deferred tax in relation to IFRS 9 application	(8,252)
Impact of initial application of IFRS 17	(112)
Opening balance under IFRS 9 (1 January 2023)	(18,987)
Retained earnings	
Closing balance under IAS 39 (31 December 2022)	91,343
Impact of initial application of IFRS 17(2)	14,494
Deferred tax in relation to IFRS 17 application	(4,025)
Impact of initial application of IFRS 9 (1)	(33,431)
Deferred tax in relation to IFRS 9 application	8,252
Opening balance under IFRS 9 and IFRS 17 (1 January 2023)	76,633
Total change in equity due to application of IFRS 9	-
Total change in equity due to application of IFRS 17	10,357

(1) Reflects movement of unrealized gains and losses between AOCI and retained earnings, as well as the impact of new ECL reserves.
(2) Reflects addition to equity primarily as a result of increases in deferred acquisition costs, as a result of a higher amount of costs required to be deferred under IFRS 17 than under IFRS 4.

Changes in EPS are primarily as a result of an increase in deferred acquisition costs.

DISCLOSURE CONTROLS AND PROCEDURES

We maintain information systems, procedures and controls to ensure that new information disclosed externally is complete, reliable and timely. Management of the Company, at the direction and under the supervision of the Chief Executive Officer and the Chief Financial Officer of the Company evaluated the effectiveness of the Company's "disclosure controls and procedures" (as defined in "National Instrument 52-109 - *Certification of Disclosure in Issuers' Annual and Interim Filings"* ("NI 52-109")) as at December 31, 2023, and have concluded that the disclosure controls and procedures are effective.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The control framework used to design the Company's internal control over financial reporting is the Internal Control – Integrated Framework (2013), published by The Committee of Sponsoring Organizations of the Treadway Commission (COSO). We maintain "internal control over financial reporting" (as defined in NI 52-109) and the Chief Executive Officer and the Chief Financial Officer of the Company have concluded that the internal controls have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Management has evaluated whether there were changes in our internal control over financial reporting during the year ended December 31, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting and has determined that there have been no such changes.

OPERATING METRICS

We use operating metrics to assess our operating performance.

Operating Metrics	Definition and *Usefulness*
BVPS	Shareholders' equity, divided by total number of shares outstanding. *Used to calculate the per-share value of a company based on equity available to common shareholders.*
Ceded Premiums Written	Premiums ceded to reinsurers in the period. *Used by Management for internal measurement, budgeting and forecasting purposes. Management views the figure to be useful forward-looking information to measure growth and profitability.*
Combined Ratio	The sum of the loss ratio and the expense ratio. The difference between 100% and the combined ratio represents underwriting income as a percentage of NPE, or underwriting margin. *A combined ratio under 100% indicates a profitable underwriting result. A combined ratio over 100% indicates an unprofitable underwriting result. A measure to evaluate pre-tax underwriting profitability.*
Debt-to-Capital Ratio	Total Debt outstanding at the end of the reporting period, divided by the sum of: Debt outstanding balance and Shareholders' equity. *A measure used to assess the Company's financial leverage.*
Deferred Fee Income	Reflects unrecognized revenue associated with Fee income and is expected to be earned over the lifetime of the associated policies. *A precursor to Net income (expense) from reinsurance contracts assets, which can be used to assist with estimates of future pre-tax underwriting profitability.*
Expense Ratio	Net commission expense, plus other directly attributable expenses excluding commission, plus Other operating expenses (net of Other income, which reflects surety fee income, in our Canadian operations) as a percentage of NPE. *A measure to evaluate pre-tax underwriting profitability.*
Fee Income	A portion of Net income or expense from reinsurance contracts assets, which reflects fees received from reinsurers paid in exchange for fronting services. *A measure used to evaluate profitability.*
Fees as a Percentage of Ceded Premium	Fee income, adjusted to reflect the portion of fee income bound in a period, rather than recognized as revenue in a period, divided by Ceded Premiums Written. *Illustrates the rate of fee income generated from ceded premium, and can supplement measurements of pre-tax underwriting profitability.*
FOR	The sum of Net claims expenses, Net commission expense, Other directly attributable expenses and Other operating expenses divided by the sum of NPE and Fee income. *A measure of pre-tax underwriting profitability.*
Gross Premiums Written	Insurance revenue, adjusted to reflect insurance revenue bound in the period inclusive of any portion of that premium not yet recognized as revenue. *Used by Management for internal measurement, budgeting and forecasting purposes. Management views the figure to be useful forward-looking information to measure growth.*
Loss Ratio	Net claims expense as a percentage of NPE. *A measure of claims used to evaluate pre-tax underwriting profitability.*
LTM Average Equity	Shareholders' equity over the last twelve month period, adjusted for significant capital transactions and equity raises, if appropriate. *A measure used in calculating ROE and Operating ROE.*
MCT	Our regulated Canadian operations report the results of its MCT as prescribed by OSFI's Guideline A — Minimum Capital Test, as amended, restated or supplemented from time to time. *MCT determines the supervisory regulatory capital levels required by our regulated Canadian operations.*

Net Claims Expense	The portion of Insurance service expenses related to movement in the Liability for Incurred claims, less the portion of Net expense from reinsurance contracts assets related to the Asset for incurred claims, plus the finance (expenses) income from insurance and reinsurance contracts. *A measure of pre-tax underwriting profitability.*
Net Commission Expense	The portion of Insurance service expenses related to gross commissions, less the portion of Net expense from reinsurance contracts assets related to ceded commissions. *A measure of pre-tax underwriting profitability.*
Net Premiums Earned	The sum of Net Premiums Written and an adjustment to reflect the portion of Net Premiums Written that has been recognized as revenue in a given period. *Used by Management for internal measurement, budgeting and forecasting purposes. Management views the figure to be useful to measure growth and profitability.*
Net Premiums Written	The difference of Gross Written Premium less Ceded Premiums Written. *Used by Management for internal measurement, budgeting and forecasting purposes. Management views the figure to be useful forward-looking information to measure growth and profitability.*
Net Underwriting Income	Insurance Service Result, plus Other operating expenses, plus Other income and Finance income (expense) from insurance or reinsurance contracts. *A measure of pre-tax underwriting profitability.*
Operating Net Income	Net income, adjusted to remove impact of certain items to normalize earnings in order to reflect our North American specialty operations, which are considered core operations. Items which are not core to operations include Net gains (loss), ECL, the impact of movement in the yield curve included in Finance income (expense) from insurance/reinsurance contracts, and Net loss (gain) from life annuity. Adjustments also include items which may not be recurring, such as the write-down of reinsurance recoverables, loss from run-off programs, non-recurring surety revenue, loss on sale of structured insurance assets, and certain tax adjustments. Adjustments also include SBC. *A measure of after-tax profitability, used in calculating Operating EPS and Operating ROE.*
Operating ROE	ROE calculated using Operating net income for the twelve month period preceding the reporting date. *An alternate measure of after-tax profitability, adjusted for certain items to normalize earnings to core operations in order to reflect our North American operations.*
RBC	Our regulated US operations report the results of its RBC as prescribed by the NAIC's Risk-Based Capital for Insurers Model Act, as amended, restated or supplemented from time to time. *RBC determines the statutory minimum amount of capital required by our regulated US operations.*
Retention Rate	NPW as a percentage of GPW. *A measure of gross written premium that is not ceded to reinsurers, which can be used to evaluate insurance risk.*
ROE	Net income for the twelve month period preceding the reporting date, divided by LTM Average Equity. *A historical measure of after-tax profitability.*

These operating metrics are operating performance measures that highlight trends in our core business or are required ratios used to measure compliance with OSFI and other regulatory standards. Our Company also believes that securities analysts, investors and other interested parties use these operating metrics to compare our Company's performance against others in the specialty insurance industry. Our Company's management also uses these operating metrics in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and to determine components of management compensation. Such operating metrics should not be considered as the sole indicators of our performance and should not be considered in isolation from, or as a substitute for, analysis of our financial statements prepared in accordance with IFRS.

NON-IFRS FINANCIAL MEASURES AND OTHER FINANCIAL MEASURES

We report certain financial information using non-IFRS financial measures. Non-IFRS financial measures do not have standardized meanings prescribed by IFRS and may not be comparable to similar measures used by other companies in our industry. They are used by management and financial analysts to assess our performance.

Further, they provide users with an enhanced understanding of our results and related trends and increase transparency and clarity into the core results of the business.

Non-IFRS Financial Measures

Table 10.1 – Other operating expenses excluding SBC: useful to show growth in expenses excluding volatility from SBC due to movement in our share price, as we attempt to mitigate this item through the use of derivatives, whose offsetting movement is reflected in Net gains.

	Q4 2023	Q4 2022	2023	2022
Other operating expenses per financial statements	**(10,346)**	(9,742)	**(32,947)**	(29,171)
Less: SBC	**1,589**	3,991	**(1,914)**	1,484
Other operating expenses excluding SBC	**(8,757)**	(5,751)	**(34,861)**	(27,687)
Year-over-year % increase, Other operating expenses	**6.2%**		**12.9%**	
Year-over-year % increase, Other operating expenses excluding SBC	**52.3%**		**25.9%**	

Table 10.2.1 – Reconciliation of reported Net income to Operating net income[(1)]: reflects Net income, adjusted for certain items to normalize earnings to core operations in order to reflect our North American specialty operations.

	Q4 2023	Q4 2022	2023	2022
Net income (see Table 3.1)	**11,320**	(40,710)	**66,941**	27,795
Adjustments				
Non-recurring items	**23,744**	81,473	**47,181**	81,473
Impact of SBC, see Table 10.1	**1,589**	3,991	**(1,914)**	1,484
Impact of movement in yield curve within Finance income from insurance and reinsurance contracts	**2,071**	255	**723**	(3,731)
Net (gains) losses, see Table 3.1	**(8,132)**	(4,112)	**9,658**	(8,802)
Net credit impairment reversals, see Table 3.1	**(926)**	-	**(895)**	-
Tax impact of above items	**(3,791)**	(17,378)	**(11,493)**	(14,969)
Operating net income, as presented in Table 3.1	**25,875**	23,519	**110,201**	83,250

(1) Operating net income, a component of Operating EPS, is a non-IFRS financial measure (details on Operating EPS presented in Table 10.2).

Table 10.2.2 – Reconciliation of reported Canada Net income to Operating net income: reflects Net income, adjusted for certain items to normalize earnings to core operations in order to reflect our Canadian operations.

	Q4 2023	Q4 2022	2023	2022
Net income (see Table 4.2)	**20,929**	13,740	**73,002**	57,603
Adjustments				
Change in yield curve for Finance income from insurance and reinsurance contracts	**1,480**	(59)	**495**	(2,916)
Non-recurring items	**1,206**	**-**	**(3,390)**	-
Net (gains) losses, see Table 4.2	**(4,504)**	492	**3,523**	(2,375)
Net credit impairment reversals, see Table 4.2	**(318)**	-	**(299)**	-
Tax impact of above items	**563**	(113)	**(87)**	1,395
Operating net income, as presented in Table 4.2	**19,356**	14,060	**73,244**	53,707

Table 10.2.3 – Reconciliation of reported US Net income to Operating net income: reflects Net income, adjusted for certain items to normalize earnings to core operations in order to reflect our US operations.

	Q4 2023	Q4 2022	2023	2022
Net (loss) income (see Table 4.7)	**(8,862)**	(53,656)	**(1,090)**	(29,156)
Adjustments				
Non-recurring items	**22,312**	81,473	**50,345**	81,473
Change in yield curve for Finance (income) expense from insurance and reinsurance contracts	**591**	315	**228**	(814)
Net (gains) losses, see Table 4.7	**(3,820)**	(1,353)	**157**	(2,867)
Net credit impairment reversals, see Table 4.7	**(569)**	-	**(409)**	-
Tax impact of above items	**(3,851)**	(16,875)	**(10,553)**	(16,397)
Operating net income, as presented in Table 4.7	**5,801**	9,904	**38,678**	32,239

Table 10.2.4 – Reconciliation of reported US Net income to Net income excluding certain non-recurring items: reflects Net income, adjusted for certain non-recurring items to normalize earnings to core operations in order to reflect our US operations.

	Q4 2023	Q4 2022	2023	2022
Net (loss) income (see Table 4.7)	**(8,862)**	(53,656)	**(1,090)**	(29,156)
Adjustments				
Non-recurring items	**22,312**	81,473	**50,345**	81,473
Tax impact of above items	**(4,686)**	(17,109)	**(10,572)**	(17,109)
Net income excluding certain non-recurring items	**8,764**	10,708	**38,683**	35,208

Table 10.3 – Reconciliation of Net gains to Net gains excluding derivative (gains) losses from SBC mitigation: represents realized gains and losses, impact of foreign exchange related to investment portfolio.

	Q4 2023	Q4 2022	2023	2022
Net (losses) gains, as presented in the financial statements	**8,132**	4,112	**(9,658)**	8,802
Derivative (gains) losses from SBC mitigation, from Table 10.8.2	**(1,244)**	(3,642)	**3,441**	763
Net (losses) gains excluding derivative losses, as presented in Table 5.1	**6,888**	470	**(6,217)**	9,565

Table 10.4.1 – Reconciliation of Average equity[(1)] to LTM average equity[(2)]: LTM average equity is used in calculating Operating ROE.

	Q4 2023	Q4 2022[(3)]
Average equity	**556,538**	429,869
Adjustments: days in quarter proration	**(6,866)**	(4,276)
LTM average equity, as presented in Table 10.4	**549,672**	425,593

(1) Average equity is calculated as the sum of opening equity and closing equity over the last twelve months, divided by two.
(2) LTM average equity, a component of ROE and Operating ROE, is a non-IFRS financial measure (details on ROE and Operating ROE presented in Table 10.4).
(3) Comparatives have been restated to conform with adoption of new accounting standards, see Section 10 – Accounting and Disclosure Matters.

Table 10.5.1 – Reconciliation of Insurance revenue to GPW, NPW, and NPE – Canada:

	Q4 2023	Q4 2022	2023	2022
Insurance revenue, as presented in the financial statements, note 19	**227,408**	172,372	**824,834**	626,635
Adjustment: Change in unearned gross premiums	**46,686**	45,604	**109,221**	104,745
Gross premiums written	**274,094**	217,976	**934,055**	731,380
Adjustment: Reinsurance premiums ceded	**(132,575)**	(120,619)	**(453,674)**	(365,327)
Net premiums written	**141,519**	97,357	**480,381**	366,053
Adjustment: Change in unearned net premiums	**(32,143)**	(13,434)	**(75,946)**	(50,979)
Net premiums earned	**109,376**	83,923	**404,435**	315,074

Table 10.5.2 – Reconciliation of Insurance revenue to GPW – United States:

	Q4 2023	Q4 2022	2023	2022
Insurance revenue, as presented in the financial statements, note 19	**527,545**	423,370	**1,964,353**	1,388,280
Adjustment: Change in unearned gross premiums	**(62,444)**	23,456	**72,942**	313,557
Gross premiums written	**465,101**	446,826	**2,037,295**	1,701,837
Adjustment: Reinsurance premiums ceded	**(433,426)**	(406,589)	**(1,920,445)**	(1,569,779)
Net premiums written	**31,675**	40,237	**116,850**	132,058
Adjustment: Change in unearned net premiums	**(202)**	(8,555)	**66,290**	(28,511)
Net premiums earned	**31,473**	31,682	**183,140**	103,547

Table 10.5.3 – Net underwriting income – Canada

	Q4 2023	Q4 2022	2023	2022
Line items, as presented in the financial statements, note 19:				
Insurance service result	**20,753**	16,525	**90,008**	67,799
Other operating expenses	**(3,877)**	(3,385)	**(16,814)**	(15,303)
Other income	**727**	733	**7,654**	6,593
Net insurance finance (expenses) income	**(2,107)**	58	**(4,146)**	1,567
Net underwriting income	**15,496**	13,931	**76,702**	60,656

Table 10.5.4 – Net underwriting income – United States

	Q4 2023	Q4 2022	2023	2022
Line items, as presented in the financial statements, note 19:				
Insurance service result	**(16,608)**	(70,265)	**(4,595)**	(38,585)
Other operating expenses	**(4,384)**	(2,189)	**(14,557)**	(9,912)
Net insurance finance (expenses) income	**(2,098)**	(458)	**(5,970)**	250
Net underwriting income	**(23,090)**	(72,912)	**(25,122)**	(48,247)

Table 10.5.5 – Reconciliation of Net expense from reinsurance contracts assets to Fee income – United States:

	Q4 2023	Q4 2022	2023	2022
Net expense from reinsurance contracts assets, as presented in the financial statements, note 19	**(103,661)**	(154,204)	**(267,142)**	(127,831)
Adjustment: Ceded commissions, Ceded claims, Ceded premiums earned, and Other directly attributable expenses – reinsurance	**125,860**	173,595	**347,002**	194,755
Fee income, as presented in Table 4.7	**22,199**	19,391	**79,860**	66,924

Table 10.5.6 – Reconciliation of GPW and NPW to Ceded reinsurance written premium – United States: used in the calculation of Fees as a percentage of ceded premiums.

	Q4 2023	Q4 2022	2023	2022
Gross premiums written, as presented in Table 10.5.2	**465,101**	446,826	**2,037,295**	1,701,837
Less: Net premiums written, as presented in Table 10.5.2	**(31,675)**	(40,237)	**(116,850)**	(132,058)
Ceded reinsurance premiums written	**433,426**	406,589	**1,920,445**	1,569,779

Table 10.6.1 – Reconciliation of Insurance service expenses and Net income (expense) from reinsurance contracts assets to Net claims and loss adjustment expenses – Canada: used in the calculation of Net underwriting income and Loss ratio.

	Q4 2023	Q4 2022	2023	2022
Insurance service expenses, as presented in the financial statements, note 19	**(174,689)**	(134,667)	**(543,362)**	(443,539)
Finance (expenses) income from insurance contracts, as presented in the financial statements, note 19	**(5,983)**	127	**(11,888)**	2,396
Subtotal	**(180,672)**	(134,540)	**(555,250)**	(441,143)
Adjustment: Gross commissions, Premium taxes, and Other directly attributable expenses	**87,033**	66,425	**326,070**	249,030
Gross claims and loss adjustment expenses	**(93,639)**	(68,115)	**(229,180)**	(192,113)
Net expense from reinsurance contracts assets, as presented in the financial statements, note 19	**(31,966)**	(21,180)	**(191,464)**	(115,297)
Finance income (expenses) from reinsurance contracts, as presented in the financial statements, note 19	**3,876**	(69)	**7,742**	(829)
Subtotal	**(28,090)**	(21,249)	**(183,722)**	(116,126)
Adjustment: Ceded commissions and Ceded premiums earned	**99,203**	72,775	**347,981**	256,801
Ceded claims and loss adjustment expenses	**71,113**	51,526	**164,259**	140,675
Net claims and loss adjustment expenses	**(22,526)**	(16,589)	**(64,921)**	(51,438)

Table 10.6.2 – Reconciliation of Insurance service expenses and Net income (expense) from reinsurance contracts assets to Net claims and loss adjustment expenses – United States: used in the calculation of Net underwriting income and Loss ratio.

	Q4 2023	Q4 2022	2023	2022
Insurance service expenses, as presented in the financial statements, note 19	**(440,492)**	(339,431)	**(1,701,806)**	(1,299,034)
Finance (expenses) income from insurance contracts, as presented in the financial statements, note 19	**(21,733)**	(7,527)	**(63,987)**	2,186
Subtotal	**(462,225)**	(346,958)	**(1,765,793)**	(1,296,848)
Adjustment: Gross commissions, Premium taxes, and Other directly attributable expenses – insurance	**92,476**	105,139	**411,798**	345,196
Gross claims and loss adjustment expenses	**(369,749)**	(241,819)	**(1,353,995)**	(951,652)
Net expense from reinsurance contracts assets, as presented in the financial statements, note 19	**(103,661)**	(154,204)	**(267,142)**	(127,831)
Finance income (expenses) from reinsurance contracts, as presented in the financial statements, note 19	**19,635**	7,069	**58,017**	(1,936)
Subtotal	**(84,026)**	(147,135)	**(209,125)**	(129,767)
Adjustment: Ceded commissions, Ceded premiums earned, Fee income, and Other directly attributable expenses – reinsurance	**389,990**	365,059	**1,380,725**	1,007,519
Ceded claims and loss adjustment expenses	**305,964**	217,924	**1,171,600**	877,752
Net claims and loss adjustment expenses	**(63,785)**	(23,895)	**(182,395)**	(73,900)

Table 10.6.3 – Reconciliation of Insurance service expenses and Net expense from reinsurance contracts assets to Net commissions, Premium taxes, and Other directly attributable expenses – Canada: used in the calculation of Net underwriting income and Expense ratio.

	Q4 2023	Q4 2022	2023	2022
Insurance service expenses, as presented in the financial statements, note 19	**(174,689)**	(134,667)	**(543,362)**	(443,539)
Adjustment: Gross claims and loss adjustment expenses (net of finance expense)	**87,656**	68,237	**217,292**	194,510
Gross commissions, Premium taxes, and Other directly attributable expenses	**(87,033)**	(66,430)	**(326,070)**	(249,029)
Net expense from reinsurance contracts assets, as presented in the financial statements, note 19	**(31,966)**	(21,180)	**(191,464)**	(115,297)
Adjustment: Ceded claims and loss adjustment expenses (net of finance expense) and Ceded premiums earned	**50,796**	36,859	**263,882**	170,059
Ceded commissions	**18,830**	15,679	**72,418**	54,762
Net commissions, Premium taxes, and Other directly attributable expenses	**(68,203)**	(50,751)	**(253,652)**	(194,267)

Table 10.6.4 – Reconciliation of Insurance service expenses and Net expense from reinsurance contracts assets to Net commissions, Premium taxes, and Other directly attributable expenses – United States: used in the calculation of Net underwriting income and FOR**.**

	Q4 2023	Q4 2022	2023	2022
Insurance service expenses, as presented in the financial statements, note 19	**(440,492)**	(339,431)	**(1,701,806)**	(1,299,034)
Adjustment: Gross claims and loss adjustment expenses (net of finance expense)	**348,016**	234,293	**1,290,008**	953,838
Gross commissions, Premium taxes, and Other directly attributable expenses	**(92,476)**	(105,138)	**(411,798)**	(345,196)
Net expense from reinsurance contracts assets, as presented in the financial statements, note 19	**(103,661)**	(154,204)	**(267,142)**	(127,831)
Adjustment: Ceded claims and loss adjustment expenses (net of finance expense), Ceded premiums earned, and Fee income	**187,545**	161,442	**587,770**	338,122
Ceded commissions and Other directly attributable expenses	**83,884**	7,238	**320,628**	210,291
Net commissions, Premium taxes, and Other directly attributable expenses	**(8,592)**	(97,900)	**(91,170)**	(134,905)

Non-IFRS Ratios

Table 10.2 – Operating earnings per common share: reflect EPS, adjusted for certain items to normalize earnings to core operations in order to reflect our North American specialty operations; a measure of after-tax profitability.

	Q4 2023	Q4 2022	2023	2022
Operating net income	**25,875**	23,519	**110,201**	83,250
Weighted-average number of common shares outstanding – basic (in thousands of shares)	**47,579**	45,874	**46,529**	43,416
Operating earnings per common share – basic (in dollars)	**0.54**	0.51	**2.37**	1.92
Operating net income	**25,875**	23,519	**110,201**	83,250
Weighted-average number of common shares outstanding – diluted (in thousands of shares)	**48,349**	46,861	**47,296**	44,252
Operating earnings per common share – diluted (in dollars)	**0.54**	0.50	**2.34**	1.88

Table 10.4 – ROE and Operating ROE: a measure of the Company's use of equity.

	Q4 2023	Q4 2022[1]
LTM net income	**66,941**	27,795
LTM average equity, from Table 10.4.1	**549,672**	425,593
ROE[1]	**12.2%**	6.5%
Operating LTM net income[2], from Table 10.2.1	**110,201**	83,250
LTM average equity, from Table 10.4.1	**549,672**	425,593
Operating LTM ROE[2]	**20.0%**	19.6%

(1) Comparatives have been restated to conform with adoption of new accounting standards, see Section 10 – Accounting and Disclosure Matters.
(2) Operating LTM net income, a component of Operating LTM ROE, is a non-IFRS financial measure.

Table 10.5 – Loss ratio and Expense ratio – Canada

	Q4 2023	Q4 2022	2023	2022
Loss ratio				
Net claims, as presented in Table 10.6.1	**22,526**	16,589	**64,921**	51,438
Net premiums earned, as presented in Table 10.5.1	**109,376**	83,923	**404,435**	315,074
Loss ratio	**20.6%**	19.8%	**16.1%**	16.3%
Expense ratio				
Net commissions, Premium taxes, and Other directly attributable expenses, as presented in Table 10.6.3	**68,203**	50,751	**253,652**	194,267
Other operating expenses, as presented in the financial statements, note 19	**3,877**	3,385	**16,814**	15,303
Less: Fee income, as presented in the financial statements, note 19	**(727)**	(733)	**(7,654)**	(6,593)
Subtotal	**71,353**	53,403	**262,812**	202,977
Net premiums earned, as presented in Table 10.5.1	**109,376**	83,923	**404,435**	315,074
Expense ratio	**65.2%**	63.6%	**65.0%**	64.4%
Combined ratio	**85.8%**	83.4%	**81.1%**	80.7%

Table 10.6 – Loss ratio and FOR – United States

	Q4 2023	Q4 2022	2023	2022
Loss ratio				
Net claims, as presented in Table 10.6.2	**63,785**	23,895	**182,395**	73,900
Net premiums earned, as presented in Table 10.5.2	**31,473**	31,682	**183,140**	103,547
Loss ratio	**202.7%**	75.4%	**99.6%**	71.4%
FOR				
Net claims, as presented in Table 10.6.2	**63,785**	23,895	**182,395**	73,900
Net commissions, Premium taxes, and Other directly attributable expenses, as presented in Table 10.6.4	**8,592**	97,900	**91,170**	134,905
Other operating expenses, as presented in the financial statements, note 19	**4,384**	2,189	**14,557**	9,912
Subtotal	**76,761**	123,984	**288,122**	218,717
Net premiums earned, as presented in Table 10.5.2	**31,473**	31,682	**183,140**	103,547
Fee income, as presented in Table 10.5.5	**22,199**	19,391	**79,860**	66,924
Subtotal	**53,672**	51,073	**263,000**	170,471
FOR	**143.0%**	242.8%	**109.6%**	128.3%

Table 10.7 – Retention rate and Fees as a percentage of ceded premium – United States

	Q4 2023	Q4 2022	2023	2022
Retention rate				
Net premiums written, as presented in Table 10.5.2	**31,675**	40,237	**116,850**	132,058
Gross premiums written, as presented in Table 10.5.2	**465,101**	446,826	**2,037,295**	1,701,837
Retention rate	**6.8%**	9.0%	**5.7%**	7.8%
Fees as a percentage of ceded premium				
Gross fee income	**21,389**	19,378	**87,057**	78,706
Ceded written premium, as presented in Table 10.5.6	**433,426**	406,589	**1,920,445**	1,569,779
Fees as a percentage of ceded premium	**4.9%**	4.8%	**4.5%**	5.0%

Additional Information

Table 10.7.1 – Reconciliation of Note 19 – Segmented information in the Company's Consolidated Financial Statements to results including tax impacts (as per MD&A Table 4.2 and 4.7)

	For the three months ended December 31, 2023			For the year ended December 31, 2023		
	FS Note 19 – Net income before tax	Tax impact	MD&A Table 4.2 and 4.7 – Net income	FS Note 19 – Net income before tax	Tax impact	MD&A Table 4.2 and 4.7 – Net income
Trisura Canada	28,152	(7,223)	20,929	98,469	(25,467)	73,002
Trisura US	(11,558)	2,696	(8,862)	(1,588)	498	(1,090)

Table 10.7.2 – Reconciliation of Note 19 – Segmented information in the Company's Consolidated Financial Statements to results including tax impacts (as per MD&A Table 4.2 and 4.7)

	For the three months ended December 31, 2022			For the year ended December 31, 2022		
	FS Note 19 – Net income before tax	Tax impact	MD&A Table 4.2 and 4.7 – Net income	FS Note 19 – Net income before tax	Tax impact	MD&A Table 4.2 and 4.7 – Net income
Trisura Canada	18,402	(4,662)	13,740	77,524	(19,921)	57,603
Trisura US	(67,913)	14,257	(53,656)	(37,051)	7,895	(29,156)

Corporate and Other

Table 10.8.1 – Reconciliation of Note 19 – Segmented information to Section 4 – Corporate and Other Table 4.9

	Q4 2023	Q4 2022	2023	2022
Other operating expenses Corporate and other, as presented in Note 19 – Segmented Information	**(2,085)**	(4,168)	**(1,576)**	(3,956)
Insurance service expense – Reinsurance	**2**	(24)	**(86)**	(118)
Derivative gains (losses) from mitigation strategies[1]	**1,244**	3,642	**(3,442)**	(763)
Net expenses, as presented in Table 4.9	**(839)**	(550)	**(5,104)**	(4,837)

(1) Derivative losses from SBC mitigation are presented in Net gains in the Consolidated Financial Statements.

Table 10.8.2 – Reconciliation from SBC, gross of mitigation strategies to SBC, net of mitigation strategies

	Q4 2023	Q4 2022	2023	2022
SBC, gross of mitigation strategies[1]	**(1,589)**	(3,991)	**1,914**	(1,484)
Add: Derivative gains (losses) from mitigation strategies[2]	**1,244**	3,642	**(3,442)**	(763)
SBC, net of mitigation strategies as presented in Table 4.9	**(345)**	(349)	**(1,528)**	(2,247)

(1) Included in Other operating expenses in Corporate and Other segment of FS Note 19.
(2) Derivative losses from mitigation strategies are presented in Net gains in the Consolidated Financial Statements.

SPECIAL NOTE REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains "forward-looking information" within the meaning of Canadian provincial securities laws and "forward-looking statements" within the meaning of applicable Canadian securities legislation. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, include statements regarding the operations, business, financial condition, expected financial results, performance, prospects, opportunities, priorities, targets, goals, ongoing objectives, strategies and outlook of our Company and its subsidiaries, as well as the outlook for North American and international economies for the current fiscal year and subsequent periods, and include words such as "expects," "likely," "anticipates," "plans," "believes," "estimates," "seeks," "intends," "targets," "projects," "forecasts", "potential" or negative versions thereof and other similar expressions, or future or conditional verbs such as "may," "will," "should," "would" and "could".

Although we believe that our anticipated future results, performance or achievements expressed or implied by the forward-looking statements and information are based upon reasonable assumptions and expectations, the reader should not place undue reliance on forward-looking statements and information because they involve known and unknown risks, uncertainties and other factors, many of which are beyond our control, which may cause the actual results, performance or achievements of our Company to differ materially from anticipated future results, performance or achievement expressed or implied by such forward-looking statements and information.

Factors that could cause actual results to differ materially from those contemplated or implied by forward-looking statements include, but are not limited to: the impact or unanticipated impact of general economic, political and market factors in the countries in which we do business; the behaviour of financial markets, including fluctuations in interest and foreign exchange rates; global equity and capital markets and the availability of equity and debt financing and refinancing within these markets; insurance risks including pricing risk, concentration risk and exposure to large losses, and risks associated with estimates of loss reserves; strategic actions including dispositions; the ability to complete and effectively integrate acquisitions into existing operations and the ability to attain expected benefits; changes in accounting policies and methods used to report financial condition (including uncertainties associated with critical accounting assumptions and estimates); the ability to appropriately manage human capital; the effect of applying future accounting changes; business competition; operational and reputational risks; technological change; changes in government regulation and legislation within the countries in which we operate; governmental investigations; litigation; changes in tax laws; changes in capital requirements; changes in reinsurance arrangements and availability and cost of reinsurance; ability to collect amounts owed; catastrophic events, such as earthquakes, hurricanes or pandemics; the possible impact of international conflicts and other developments including terrorist acts and cyberterrorism; risks associated with reliance on distribution partners, capacity providers and program administrators; third party risks; risk that models used to manage the business do not function as expected; climate change risk; risk of economic downturn; risk of inflation; risks relating to cyber-security; risks relating to credit ratings; and other risks and factors detailed from time to time in our documents filed with securities regulators in Canada.

We caution that the foregoing list of important factors that may affect future results is not exhaustive. When relying on our forward-looking statements and information, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Except as required by law, our Company undertakes no obligation to publicly update or revise any forward-looking statements or information, whether written or oral, that may be as a result of new information, future events or otherwise.

GLOSSARY OF ABBREVIATIONS

Abbreviation	Description
AFS	Available for Sale Financial Asset
BVPS	Book Value Per Share
D&O	Directors' and Officers' insurance
E&O	Errors and Omissions Insurance
EPS	Diluted Earnings Per Share
FOR	Fronting Operational Ratio
Fronted lines	Fronted lines are referring to US Fronting and Canadian Fronting
FVTPL	Fair Value Through Profit & Loss
FVTOCI	Fair Value Through Other Comprehensive Income
GPW	Gross Premium Written
LAE	Loss Adjustment Expenses
LTM	Last Twelve Months
MCT	Minimum Capital Test
MGA	Managing General Agent
n/a	not applicable
nm	not meaningful
NPE	Net Premiums Earned
NPW	Net Premium Written
NUI	Net Underwriting Income
OCI	Other Comprehensive Income
Primary lines	Primary lines are lines of insurance business not classified as fronting, such as Surety, Corporate Insurance, and Risk Solutions – Warranty.
pts	Percentage points
Q1, Q2, Q3, Q4	The three months ended March 31, June 30, September 30 and December 31 respectively
Q2 YTD	The six months ended June 30
Q3 YTD	The nine months ended September 30
Q4 YTD	The twelve months ended December 31
ROE	Return on Shareholders' Equity over the last twelve months
RSUs	Equity-settled restricted share units
USD	United States Dollar
YTD	Year to Date

Trisura Group Ltd.

Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

Deloitte.

Deloitte LLP
Bay Adelaide East
8 Adelaide Street West
Suite 200
Toronto ON M5H 0A9
Canada

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

Independent Auditor’s Report

To the Shareholders and the Board of Directors of
Trisura Group Ltd.

Opinion

We have audited the consolidated financial statements of Trisura Group Ltd. (the “Company”), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022 and January 1, 2022, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the years ended December 31, 2023 and 2022, and notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022 and January 1, 2022, and its financial performance and its cash flows for the years ended December 31, 2023 and 2022 in accordance with International Financial Reporting Standards (“IFRS”).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards (“Canadian GAAS”). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Insurance Contract Liabilities - Refer to Notes 2.2(a), 3.1(b) and 21 to the financial statements

Key Audit Matter Description

The Company conducts property and casualty insurance business through its Trisura Canada and Trisura US operations. The liability for incurred claims component of the insurance contract liabilities represents an estimate of the ultimate cost of all claims incurred but not paid by the statement of financial position date. The estimation process employed in determining future claims and loss adjustment expense payments includes consideration of individual case estimates of claims and loss adjustment expense payments on

reported claims, provision for future development of case estimates on reported claims, and provision for claims and loss adjustment expense related to incurred but not reported ("IBNR") claims, and discounting.

In estimating the IBNR claims liabilities, the Company uses a range of actuarial methodologies which consider assumptions related to historical loss development factors and payment patterns. While there are several assumptions that go into determining the IBNR claims liabilities, significant management judgment is applied regarding the use of assumptions relating to future development of claims and loss adjustment expenses that have not yet been reported, future rates of claims frequency and severity, payment patterns and reinsurance recoveries ("significant assumptions"). Auditing the selection of the actuarial methodologies and the significant assumptions involves a high degree of subjectivity in applying audit procedures and in evaluating the results of those procedures. This resulted in an increased extent of audit effort, including the involvement of actuarial specialists.

How the Key Audit Matter Was Addressed in the Audit

With the assistance of actuarial specialists, our audit procedures related to the selection of the actuarial methodologies and the significant assumptions used to value the IBNR claims liabilities for the property and casualty insurance business included the following audit procedures, among others:

- Evaluated management's actuarial methodologies and the significant assumptions in accordance with the requirements of IFRS 17 *Insurance Contracts*.
- Tested the underlying data that served as the basis for the actuarial analysis, including historical claims and loss adjustment expenses data used to develop future expectations, to evaluate the reasonableness of key inputs to the actuarial estimate.
- Independently estimated the claim liabilities for selected lines of business, focusing on the largest IBNR claims liabilities, and compared the results to those recorded by the Company.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the financial statements and our auditor's report thereon, in the Annual Report
- Financial Supplement

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis, Annual Report, and Financial Supplement prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor’s report is Jonathon Dueck.

/s/ Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
Toronto, Ontario
February 8, 2024

TRISURA GROUP LTD.
Consolidated Financial Statements

Table of contents for the Consolidated Financial Statements of Trisura Group Ltd.

Consolidated Statements of Financial Position 2

Consolidated Statements of Income 3

Consolidated Statements of Comprehensive Income (Loss) 4

Consolidated Statements of Changes in Equity 5

Consolidated Statements of Cash Flows 6

Notes to the Consolidated Financial Statements 7

TRISURA GROUP LTD.
Consolidated Statements of Financial Position
(in thousands of Canadian dollars, except as otherwise noted)

As at	Note	December 31, 2023	December 31, 2022 restated	January 1, 2022 restated
Assets				
Cash and cash equivalents		**604,016**	406,368	341,319
Investments	4,6	**890,157**	765,375	641,140
Other assets	9	**53,712**	61,852	26,266
Reinsurance contract assets	22	**2,003,589**	1,527,799	961,674
Capital assets and intangible assets	10,11,12	**16,657**	19,529	17,109
Deferred tax assets	20	**16,314**	17,942	6,358
Total assets		**3,584,445**	2,798,865	1,993,866
Liabilities				
Insurance contract liabilities	21	**2,769,951**	2,165,103	1,358,888
Other liabilities	13	**120,065**	65,111	193,888
Loan payable	16	**75,000**	75,000	75,000
		2,965,016	2,305,214	1,627,776
Shareholders' equity				
Common shares	17	**481,023**	430,262	285,035
Contributed surplus		**7,491**	5,743	3,497
Retained earnings		**143,574**	101,812	74,017
Accumulated other comprehensive (loss) income		**(12,659)**	(44,166)	3,541
		619,429	493,651	366,090
Total liabilities and shareholders' equity		**3,584,445**	2,798,865	1,993,866

See accompanying notes to the Consolidated Financial Statements

On behalf of the Board

George Myhal
Director

David Clare
Director

TRISURA GROUP LTD.
Consolidated Statements of Income
(in thousands of Canadian dollars, except as otherwise noted)

For the years ended December 31,	*Note*	**2023**	2022 *restated*
Insurance revenue	*21*	**2,789,187**	2,014,915
Insurance service expenses		**(2,245,246)**	(1,742,601)
Net expense from reinsurance contracts assets	*22*	**(458,606)**	(243,128)
Insurance service result		**85,335**	29,186
Net investment income	*7*	**51,669**	25,162
Net (losses) gains	*8*	**(9,658)**	8,802
Net credit impairment reversals	*4.2*	**895**	-
Total investment income		**42,906**	33,964
Finance (expenses) income from insurance contracts		**(75,875)**	4,582
Finance income (expenses) from reinsurance contracts		**65,759**	(2,765)
Net insurance finance (expenses) income		**(10,116)**	1,817
Net financial result		**32,790**	35,781
Net insurance and financial result		**118,125**	64,967
Other income		**7,654**	6,593
Other operating expenses		**(32,947)**	(29,171)
Other finance costs	*16.2*	**(2,409)**	(2,644)
Income before income taxes		**90,423**	39,745
Income tax expense	*20*	**(23,482)**	(11,950)
Net income attributable to shareholders		**66,941**	27,795
Weighted average number of common shares outstanding during the year (in thousands) – basic		**46,529**	43,416
Earnings per common share (in dollars) – basic	*18*	**1.44**	0.64
Earnings per common share (in dollars) – diluted	*18*	**1.42**	0.63

See accompanying notes to the Consolidated Financial Statements

TRISURA GROUP LTD.
Consolidated Statements of Comprehensive Income (Loss)
(in thousands of Canadian dollars, except as otherwise noted)

For the years ended December 31,	*Note*	**2023**	2022 *restated*
Net income attributable to shareholders		**66,941**	27,795
Items that may be or are reclassified subsequently to net income			
Net unrealized gains (losses) on FVOCI investments		**18,551**	(74,254)
Income tax (expense) benefit		**(4,185)**	17,166
FVOCI amounts		**14,366**	(57,088)
Net realized gains		**(1,156)**	(10,476)
Impairment loss	*8*	**-**	3,041
Net credit impairment reversals	*4.2*	**(895)**	-
Income tax benefit		**260**	1,809
Items reclassified to net income		**(1,791)**	(5,626)
Net realized gains on FVOCI investments		**523**	-
Income tax expense on FVOCI investments		**(250)**	-
Items that will not be reclassified to net income		**273**	-
Items other than cumulative translation (loss) income		**12,848**	(62,714)
Cumulative translation (loss) income		**(6,520)**	15,007
Other comprehensive income (loss)		**6,328**	(47,707)
Total comprehensive income (loss)		**73,269**	(19,912)

See accompanying notes to the Consolidated Financial Statements

TRISURA GROUP LTD.
Consolidated Statements of Changes in Equity
(in thousands of Canadian dollars, except as otherwise noted)

	Note	**Common shares**	**Contributed surplus**	**Retained earnings**	**Accumulated other comprehensive loss (net of income taxes)**	**Total**
Balance as at Dec 31, 2022, as previously reported		430,262	5,743	91,343	(44,054)	**483,294**
Impact of adopting IFRS 17	*2*	-	-	10,469	(112)	**10,357**
Impact of adopting IFRS 9	*2*	-	-	(25,179)	25,179	**-**
Balance as at Jan 1, 2023, as restated		430,262	5,743	76,633	(18,987)	**493,651**
Net income		-	-	66,941	-	**66,941**
Other comprehensive income		-	-	-	6,328	**6,328**
Total comprehensive income		-	-	66,941	6,328	**73,269**
Share issuance	*17*	52,170	-	-	-	**52,170**
Shares purchased under Restricted Share Units ("RSUs") plan	*17*	(1,409)	-	-	-	**(1,409)**
Share based payments		-	1,748	-	-	**1,748**
Balance at December 31, 2023		**481,023**	**7,491**	**143,574**	**(12,659)**	**619,429**

	Note	Common shares	Contributed surplus	Retained earnings	Accumulated other comprehensive loss (net of income taxes)	Total
Balance at January 1, 2022, as previously reported		285,035	3,497	66,692	3,565	358,789
Impact of adopting IFRS 17	2	-	-	7,325	(24)	7,301
Balance as at Jan 1, 2022, as restated		285,035	3,497	74,017	3,541	366,090
Net income		-	-	27,795	-	27,795
Other comprehensive loss		-	-	-	(47,707)	(47,707)
Total comprehensive income (loss)		-	-	27,795	(47,707)	(19,912)
Share issuance		147,173	-	-	-	147,173
Shares purchased under Restricted Share Units ("RSUs") plan		(1,946)	-	-	-	(1,946)
Share based payments		-	2,246	-	-	2,246
Balance at December 31, 2022, as restated		430,262	5,743	101,812	(44,166)	493,651

See accompanying notes to the Consolidated Financial Statements

TRISURA GROUP LTD.
Consolidated Statements of Cash Flows
(in thousands of Canadian dollars, except as otherwise noted)

For the years ended December 31,	*Note*	**2023**	2022 *restated*
Operating activities			
Net income		**66,941**	27,795
Items not involving cash:			
Depreciation and amortization		**1,661**	3,623
Unrealized gains (losses)		**3,231**	(5,162)
Net credit impairment (reversals) losses	*4.2*	**(895)**	3,041
Stock options granted		**1,267**	1,370
Write down on reinsurance recoverables		**-**	81,473
Change in working capital	*27*	**194,038**	82,619
Realized losses (gains) on investments		**3,950**	(10,066)
Income taxes paid		**(9,841)**	(31,101)
Interest paid		**(2,439)**	(2,662)
Net cash flows from operating activities		**257,913**	150,930
Investing activities			
Proceeds on disposal of investments		**102,492**	144,168
Purchases of investments		**(219,121)**	(384,030)
Purchases of capital assets		**(277)**	(877)
Purchases of intangible assets		**(437)**	(1,254)
Net cash flows used in investing activities		**(117,343)**	(241,993)
Financing activities			
Shares issued	*17*	**51,507**	145,442
Shares purchased under RSU plan	*17*	**(1,409)**	(1,946)
Loans received	*16.1*	**-**	30,000
Loans repaid	*16.1*	**-**	(30,000)
Principal portion of lease payments		**(2,034)**	(1,905)
Net cash flows from financing activities		**48,064**	141,591
Net increase in cash and cash equivalents during the year		**188,634**	50,528
Cash, beginning of year		**381,485**	330,202
Cash equivalents, beginning of year		**24,883**	11,117
Cash and cash equivalents, beginning of year		**406,368**	341,319
Impact of foreign exchange on cash and cash equivalents		**9,014**	14,521
Cash, end of year		**559,741**	381,485
Cash equivalents, end of year		**44,275**	24,883
Cash and cash equivalents, end of year		**604,016**	406,368

See accompanying notes to the Consolidated Financial Statements

Note 1 – The Company

Trisura Group Ltd. (the “Company”) was incorporated under the *Business Corporations Act* (Ontario) (the “Act”) on January 27, 2017. The Company’s head office is located at 333 Bay Street, Suite 1610, Box 22, Toronto Ontario, M5H 2R2.

The Company has investments in wholly owned subsidiaries through which it conducts insurance and reinsurance operations. Those operations are primarily in Canada (“Trisura Canada”) and the United States (“Trisura US”).

Trisura Canada operates as a Canadian property and casualty insurance company, licensed in all provinces and territories. Certain lines of Trisura Canada’s business operate as a fronting carrier with a large portion of gross premiums written ceded to reinsurers. Trisura US is a domestic surplus lines insurer that can write business as a non-admitted surplus line insurer in all states and admitted business in most states. Trisura US primarily operates as a hybrid fronting carrier where a large portion of its gross premiums written are ceded to reinsurers.

The common shares of the Company are publicly traded on the Toronto Stock Exchange under the symbol “TSU”.

Note 2 – Summary of material accounting policies

2.1 Basis of presentation

These Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The Consolidated Financial Statements comprise the financial results of the Company and all entities controlled by the Company, on a consolidated basis of presentation. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. In accordance with IFRS, presentation of assets and liabilities on the Consolidated Statements of Financial Position is in order of liquidity. The Company’s functional and presentation currency is Canadian dollars.

These Consolidated Financial Statements were authorized for issuance by the Company’s Board of Directors on February 8, 2024.

2.2 New and amended standards and interpretations

In these Consolidated Financial Statements, the Company has applied IFRS 17 – Insurance Contracts, and IFRS 9 – Financial Instruments. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

a) IFRS 17 - Insurance Contracts (“IFRS 17”)

IFRS 17 replaces IFRS 4 – Insurance Contracts, and became effective on January 1, 2023, with a transition date of January 1, 2022. IFRS 17 requires that the Company apply the standard retrospectively unless impracticable, in which case the Company may elect to use a modified retrospective or fair value method. The Company is applying the standard using a full retrospective approach, and has recognized any difference in equity.

When significant insurance risk exists, the Company’s products are classified at contract inception as insurance contracts. Significant insurance risk exists when the Company agrees to compensate policyholders of the contract or ceding companies for specified uncertain future events that adversely affect the policyholder and whose amount and timing is unknown. The level of insurance risk is assessed by considering whether there are any scenarios with commercial substance in which the Company is required to pay significant additional benefits. These benefits are those which exceed the amounts payable if no insured or reinsured event were to occur.

Measurement model

Under IFRS 17, there are two main measurement models to account for insurance contracts, the general measurement model (GMM) and the premium allocation approach (PAA). Under the GMM, insurance contracts must be valued using current estimates of discounted future cash flows, an explicit risk adjustment for non-financial risk, and a contractual service margin that reflects the present value of the expected profit from fulfilling the contracts which is to be recognized into income over the coverage period. The PAA is a more simplified measurement model that is to be applied to insurance contracts with coverage periods of one year or less or where the liability for remaining coverage (LRC) under the PAA is not materially different to the LRC under the GMM.

The Company uses a model for evaluating whether the LRC under the GMM differs materially from the LRC under the PAA for any insurance contracts with a coverage period greater than one year, and based on management’s analysis, no material differences in LRC were noted. Accordingly, the Company is applying PAA to all its insurance contracts.

Note 2 – Summary of material accounting policies (Continued)

The Company measures its reinsurance assets for a group of reinsurance contracts that it holds on the same basis as insurance contracts that it issues, however, adapted to reflect the features of reinsurance contracts that differ from insurance contracts issued, for example the recognition of expenses or reduction in expenses rather than revenue. For reinsurance contracts, on initial recognition, the Company measures the asset for remaining coverage (ARC) at the amount of ceding premiums paid.

The Company measures the carrying amount of the LRC at the end of each reporting period as the LRC at the beginning of the year, plus premiums received in the year, minus insurance acquisition cash flows paid, plus any amounts relating to the amortization of the acquisition cash flows recognized as an expense in the reporting period for the Company, plus any adjustment to the financing component, where applicable, minus the amount recognized as insurance revenue for the coverage period, minus any investment component paid or transferred to the liability for incurred claims.

The liability for incurred claims (LIC) represents an estimate of the ultimate cost of all claims incurred but not paid by the Statement of Financial Position date. The estimation process employed in determining future claims and loss adjustment expense (LAE) payments includes consideration of individual case estimates of claims and LAE payments on reported claims, provision for future development of case estimates on reported claims, and provision for claims and LAE related to incurred but not reported (IBNR) claims. Further provisions are made for the time value of money. The Company uses qualified actuaries in its reserving processes.

In estimating the IBNR claims, the Company uses a range of actuarial methodologies which consider assumptions related to historical loss development factors and payment patterns. While there are several assumptions that go into determining the IBNR claims, significant management judgment is applied regarding the use of assumptions relating to future development of claims and LAE that have not yet been reported, future rates of claims frequency and severity, claims inflation, payment patterns and reinsurance recoveries, taking into consideration the circumstances of the Company and the nature of the insurance policies. Typically, the delay to ultimate settlement of claims increases the uncertainty of the estimate of the ultimate cost to settle the LIC balance.

As a result of the uncertainly in estimation, actual future claims and LAE payments may deviate in quantum and timing, perhaps materially, from the liability recorded in the LIC on the Consolidated Statements of Financial Position. The LIC is reviewed regularly and evaluated in light of emerging claims experience and changing circumstances. Any resulting adjustments to the estimates of the ultimate liability are recorded as Insurance service expense in the year in which such changes are made.

Discounting of insurance contract liabilities

Under IFRS 17, estimates of future cash flows are to be discounted to reflect the time value of money and financial risks related to those cash flows. The Company discounts estimates of future cash flows using risk-free yield curves adjusted to reflect the characteristics of the cash flows and the liquidity of the insurance contracts.

Discount rates applied for discounting of future cash flows are listed below:

		As at December 31, 2023					As at December 31, 2022				
Insurance contracts issued and reinsurance contracts held	**Currency**	**1 year**	**5 years**	**10 years**	**20 years**	**30 years**	1 year	5 years	10 years	20 years	30 years
	CAD	**5.39%**	**4.75%**	**4.79%**	**4.91%**	**4.78%**	5.61%	5.15%	5.20%	5.45%	5.10%
	USD	**6.02%**	**4.72%**	**4.54%**	**4.21%**	**3.97%**	6.11%	5.02%	4.84%	4.56%	4.21%

Note 2 – Summary of material accounting policies (Continued)

Risk adjustment

The measurement of insurance contract liabilities includes a risk adjustment for non-financial risk to be applied to the present value of the estimated future cash flows. The risk adjustment is the Company's compensation for bearing the uncertainty relating to non-financial risk. The non-financial risk pertains to the amount and timing of cash flows as the Company fulfils insurance contracts. The risk adjustment replaces the provision for adverse deviation. The Company is applying a quantile approach for its non-financial risks. As at December 31, 2023, the liability for incurred claims, including the risk adjustment, was calculated at a 73% level of confidence.

For reinsurance contract assets, the risk adjustment for non-financial risk represents the amount of risk being transferred by the Company to the reinsurer.

Onerous contracts

To determine if a group of contracts are onerous, the Company considers facts and circumstances based on the expected fulfilment cash flows, pricing data, the outcomes of similar contracts, and the operating and regulatory environment. At initial recognition, the Company assumes that no contracts are onerous, unless facts and circumstances indicate otherwise, as all the Company's contracts meet the PAA criteria. If at any time during the coverage period, the facts and circumstances indicate that a group of insurance contracts is onerous, the Company establishes a loss component as the difference between fulfilment cash flows that relate to the remaining coverage of the group over the carrying amount of the LRC of the group.

Insurance acquisition cash flows

Insurance acquisition cash flows consist of costs of selling, underwriting, and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs. The Company defers insurance acquisition cash flows and these expenses are recognized as Insurance service expenses as the related premiums are recognized as Insurance revenue.

Insurance revenue and Insurance service expenses

The Company recognizes insurance revenue for each period over the coverage period of a group of contracts. The Company recognizes groups of insurance contracts from the earliest of the following: the beginning of the coverage period of the group of contracts, the date when the first payment from a policyholder in the group is due, or for a group of onerous contracts, when the group becomes onerous. Premiums are earned over the terms of the related policies, generally on a pro rata basis. There are some instances where premiums are earned over the term of the policy in accordance with the risk profile of those policies with more premiums being earned when the risk exposure from the policy is greatest.

Insurance service expenses consist of amortization of insurance acquisition cash flows, incurred claims and other insurance expenses, and losses on onerous groups of contracts and reversals of such losses.

In the normal course of business, the Company enters into fronting arrangements with third parties, whereby the Company assumes the insurance risk but then cedes all or most of the risk to other insurers and reinsurers. In certain instances, security arrangements are established to offset the Company's risk exposure. Fronting arrangements do not discharge the Company as the primary insurer for its obligations to policyholders.

Presentation and disclosures

IFRS 17 introduced significant changes to the presentation and disclosure of insurance and reinsurance related items in the Consolidated financial statements including:

Changes in presentation in the Company's Consolidated Statements of Financial Position include:

i. the reclassification of premiums receivable, deferred acquisition costs, unpaid claims and loss adjustment expenses, and unearned premiums to be presented together as a single line item named insurance contract liabilities; and
ii. the reclassification of recoverable from reinsurers, reinsurance premiums payable, and unearned reinsurance commissions to be presented together as a single line item named reinsurance contract assets.

Changes in presentation in the Company's Consolidated Statements of Income include:

i. gross premiums written is replaced by insurance revenue, where premiums are recognized on an earned basis;
ii. income and expenses from insurance contracts issued is presented separately from net income (expense) from reinsurance contract assets; and
iii. all directly attributable insurance acquisition expenses are included in the insurance service expenses line item, while the remainder of expenses is recorded under other operating expenses.

Note 2 – Summary of material accounting policies (Continued)

The Company has presented separately, in the Statement of Financial Position, the carrying amount of portfolios of insurance contracts issued that are assets, groups of insurance contracts issued that are liabilities, reinsurance contracts that are assets and groups of reinsurance contracts that are liabilities, if any.

Reinsurance contracts

A group of reinsurance contracts that covers the losses of separate insurance contracts on a proportionate basis is recognized at the later of the beginning of the coverage period of the group, or the initial recognition of any underlying contract, and in all other cases, from the beginning of the coverage period of the group of contracts.

The Company uses reinsurance in the ordinary course of business to reduce its exposure to any one claim or event under the policies it issues. A large portion of this reinsurance is affected under reinsurance agreements known as treaty reinsurance. In some instances, it is negotiated on a facultative (one-off) basis for individual policies, generally when the exposures under these policies are not sufficiently mitigated by the treaty reinsurance.

The Company's fronting operations cede the majority of the insurance revenue generated through it to third-party reinsurers. As such, Reinsurance contract assets are significant to the Company's financial position, and the associated credit risk is monitored each reporting period.

Reinsurance does not relieve the Company of its obligations to policyholders. The Company's obligation to pay policyholders is not contingent on the reinsurers paying, or honouring its contractual obligations. For this reason, the Company evaluates the financial condition of its reinsurers and monitors concentration of credit risk to minimize its exposure to losses from reinsurer insolvencies or contract disputes. Reinsurers providing reinsurance policies are generally required to have a minimum A.M. Best credit rating of A- at the inception of each policy or are otherwise required to post agreed upon levels of collateral. Unlicensed reinsurers must post an agreed upon level of collateral.

Level of aggregation

IFRS 17 requires a company to determine the level of aggregation for applying its requirements. The level of aggregation for the Company is determined firstly by dividing the business written into portfolios. Portfolios comprise contracts with similar risks which are managed together. Portfolios are further divided based on expected profitability at inception into three categories: onerous contracts, contracts with no significant possibility of becoming onerous, and the remainder.

Net income or expense from reinsurance contracts

The Company presents on the face of the statements of income and comprehensive income, the income and expenses from a group of reinsurance contracts, other than insurance finance income or expenses, as a single amount, including the amounts expected to be recovered from reinsurers. Ceding commissions that are not contingent on claims of the underlying contracts issued reduce ceding premiums and are accounted for as part of reinsurance expenses. The Company recognizes reinsurance expenses based on the passage of time over the coverage period of a group of contracts.

Contract boundary

The Company includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay the premiums, or in which the Company has a substantive obligation to provide the policyholder with services. A substantive obligation to provide services ends when the Company has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks or when both of the following criteria are satisfied: the Company has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio and the pricing of the premiums for coverage up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date.

Insurance finance income and expense

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from the effect of the time value of money and changes in the time value of money, and the effect of financial risk and changes in financial risk.

The Company records insurance finance income or expenses on insurance contracts issued in net income, including the impact of changes in market interest rates on the value of the insurance assets and liabilities. The Company's related financial assets backing the portfolios are predominantly measured at FVOCI.

Note 2 – Summary of material accounting policies (Continued)

Impact to retained earnings from the adoption of IFRS 17

Retained earnings	
Closing balance under IFRS 4 (December 31, 2021)	66,692
Impact of initial application of IFRS 17 related to the deferral of acquisition cash flows[1] , tax effected	8,374
Impact of initial application of IFRS 17 related to the measurement of the LIC and reinsurance assets[2] , tax effected	(1,049)
Total change to retained earnings	7,325
Opening balance under IFRS 17 (January 1, 2022)	74,017

(1) Under IFRS 17, Insurance acquisition cash flows attributable to insurance contracts issued are required to be deferred and amortized through insurance service expense. As a result, certain operating expenses which were previously expensed are now deferred and amortized.
(2) Under IFRS 17, the Reinsurance assets are lower than the equivalent measures under IFRS 4 as a result of a provision for non-performance.

b) IFRS 9 - Financial Instruments ("IFRS 9")

IFRS 9 replaces IAS 39, *Financial Instruments: Recognition and Measurement*, and requires financial assets to be classified and measured at fair value, with changes in fair value through profit and loss ("FVTPL") as they arise, unless certain criteria are met for classifying and measuring the asset at either amortized cost or fair value through other comprehensive income ("FVOCI"). IFRS 9 also establishes new criteria for an expected credit loss ("ECL") model for the impairment assessment of financial assets held at amortized cost and at FVOCI.

The Company has adopted IFRS 9 effective January 1, 2023. The IFRS 17 amendment published by the IASB in December 2021 permitted an entity to apply a classification overlay in the comparative periods presented on initial application of IFRS 17 and IFRS 9, to avoid temporary accounting mismatches between financial assets and insurance contract liabilities. Management has determined that as the Company's financial assets, that are related to insurance contract liabilities, were previously classified and measured on a fair value basis under IAS 39, the classification overlay's impact on mitigating an accounting mismatch for the Company is limited. Accordingly, the Company has elected not to restate comparative periods, as permitted by IFRS 9. The significant impacts of the adoption of IFRS 9 on the Company's Consolidated financial statements are summarized below:

Classification and measurement

Under IFRS 9, financial assets are classified as amortized cost, FVOCI, or FVTPL based on the Company's business model for managing the assets and the asset's contractual cash flow characteristics.

The Company's classification of its significant financial instruments under IFRS 9 is as follows:

Financial instruments	**IAS 39 Classification**	**IFRS 9 Classification**
Investments		
Common shares and Alternatives	AFS	FVTPL
Preferred shares	AFS	FVTPL or FVOCI – equity instruments
Fixed income	AFS	FVTPL or FVOCI – debt instruments
Derivatives	FVTPL	FVTPL
Other financial assets	Loans and receivables	Amortized cost
Financial liabilities	Amortized cost	Amortized cost

Note 2 – Summary of material accounting policies (Continued)

Classifications of financial instruments

i) Fair Value Through Profit or Loss (“FVTPL”)

Financial assets in this category are those that are managed in a fair value business model, or that have been designated by management upon initial recognition, or are mandatorily required to be measured at fair value under IFRS 9. This category includes debt instruments whose cash flow characteristics fail the Solely Payments of Principal and Interest (“SPPI”) test or are not held within a business model whose objective is either to collect contractual cash flows, or both to collect contractual cash flows and sell.

FVTPL financial instruments are carried at fair value and recognized on the trade date, with the changes in fair value recognized in net income. Transaction costs related to FVTPL financial instruments are expensed in net investment income.

ii) Fair Value Through Other Comprehensive Income (“FVOCI”)

The Company applies this category under IFRS 9 for debt instruments measured at FVOCI when both of the following conditions are met: the instrument is held within a business model, the objective of which is both collecting contractual cash flows and selling financial assets, and the contractual terms of the financial asset meet the SPPI test.

These instruments largely comprise debt instruments that had previously been classified as available-for-sale under IAS 39. Debt instruments in this category are those that are intended to be held to collect contractual cash flows and which may be sold in response to needs for liquidity or in response to changes in market conditions.

The Company also applies the new category under IFRS 9 for equity instruments when the following conditions are met: the instrument is not held for trading, passes the SPPI test, and the Company has elected the OCI option for the instrument.

These instruments largely comprise certain Preferred shares that had previously been classified as available-for-sale under IAS 39. Instruments in this category are those that are intended to be held to collect contractual cash flows and which may be sold in response to needs for liquidity or in response to changes in market conditions.

FVOCI financial instruments are carried at fair value and recognized on the trade date, with changes in fair value recorded as unrealized gains or losses in other comprehensive income. Transaction costs related to financial instruments classified as FVOCI are capitalized on initial recognition and, where applicable, amortized to interest income using the effective interest method.

iii) Amortized Cost

Debt instruments are held at amortized cost if both of the following conditions are met: the instruments are held within a business model with the objective of holding the instrument to collect the contractual cash flows, and the contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial instruments are held at amortized cost when they have fixed or determinable payments and are not quoted in an active market. Transaction costs are capitalized on initial recognition and are recognized in investment income using the effective interest rate method. The Company has classified the financial instruments included in Other assets (excluding derivative assets) as amortized cost. Derivative assets which are grouped with Other assets are carried at fair value.

Derecognition of financial assets

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. Except for preferred shares that are classified as FVOCI, any gain or loss arising on derecognition is recognized directly in net income and presented in realized gains or losses on investments. For preferred shares classified as FVOCI, any gain or loss arising on derecognition remains in OCI and will not be reclassified to Net income.

Financial liabilities, such as Loan payable and Other liabilities are measured at amortized cost. Derivative liabilities and cash-settled Share based payments, which are grouped with other liabilities, are carried at fair value.

Note 2 – Summary of material accounting policies (Continued)

Subsequent Measurement

i) Financial assets at FVTPL

Financial assets at FVTPL are recorded in the Statement of Financial Position at fair value. Changes in fair value are recorded in net income. Interest earned on assets mandatorily required to be measured at FVTPL is recorded using a contractual interest rate on an effective interest rate basis. Dividend income from equity instruments measured at FVTPL is recorded in net income as net investment income when the right to the payment has been established.

ii) Debt instruments at FVOCI

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in OCI. Interest income and foreign exchange gains and losses are recognized in net income in the same manner as for financial assets measured at amortized cost. On derecognition, cumulative gains or losses previously recognized in OCI are reclassified from OCI to net income.

iii) Equity instruments at FVOCI

FVOCI equity instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in OCI. Foreign exchange gains and losses are included as unrealized gains (losses) within OCI. Dividend income is recognized in net income in the same manner as for financial assets measured at amortized cost. No impairment or ECL calculation is performed for FVOCI equity instruments. On derecognition, cumulative gains or losses previously recognized in OCI are not reclassified from OCI to net income.

iv) Measurement of fair values

The Company has an established control framework with respect to the measurement of fair values by management, which includes input from the Company's third-party investment managers.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques.

Investments carried at fair value are classified in accordance with a valuation hierarchy that reflects the significance of the inputs used in determining their fair value. Under Level 1 of this hierarchy, fair value is derived from unadjusted quoted prices in active markets for identical investments. Under Level 2, fair value is derived from market inputs that are directly or indirectly observable, other than unadjusted quoted prices for identical investments. Level 2 financial instruments comprise fixed income securities such as over the counter bonds and derivative financial instruments such as foreign currency forwards, equity and interest rate swap agreements which are not considered as actively traded or for which fair values are based on valuation techniques. Inputs used in their valuation include prevailing market rates for fixed income securities with similar characteristics and risk profiles. Under Level 3, fair value is derived from inputs, some of which are not based on observable market data.

Significant unobservable inputs and valuation adjustments are regularly reviewed. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the evidence obtained from the third parties is assessed in light of the requirements of IFRS, including the level in the fair value hierarchy in which such investments should be classified.

If the inputs used to measure the fair value of an asset or a liability is categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Expected credit loss ("ECL")

The impairment model for measuring impairment of financial assets changed from an incurred loss model under IAS 39 to an ECL model under IFRS 9. ECL is based on probability of default, loss given default and exposure at default inputs and takes into account the expected timing of the loss. The ECL model also incorporates forward-looking economic information. IFRS 9 requires the Company to record an allowance for ECLs for all debt instruments measured at amortized cost or FVOCI. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the appropriate effective interest rate.

Note 2 – Summary of material accounting policies (Continued)

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months ("12-month ECL"). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default ("a lifetime ECL" or LTECL).

The majority of the Company's debt instruments at FVOCI comprise quoted bonds that are graded in the top investment category and, therefore, are considered to be low credit risk investments. It is the Company's policy to measure such instruments on a 12-month ECL basis.

As at January 1, 2023, the adoption of the ECL requirements of IFRS 9 has resulted in increases in impairment allowances in respect of the Company's debt instruments recognized through net income, with an offsetting movement through OCI.

The effective interest rate method

Under IFRS 9, interest income is recorded using the effective interest rate ("EIR") method for all financial assets measured at amortized cost. Similar to interest bearing financial assets previously classified as available-for-sale or held to maturity under IAS 39, interest income on interest bearing financial assets measured at FVOCI under IFRS 9 is also recorded using the EIR method. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or, when appropriate, a shorter period, to the gross carrying amount of the financial asset.

The EIR (and therefore, the amortized cost of the financial asset) is calculated by taking into account transaction costs and any discount or premium on acquisition of the financial asset as well as fees and costs that are an integral part of the EIR. The Company recognizes interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the debt instrument.

Derivative financial instruments

Derivative financial instruments are classified as FVTPL. All derivatives are carried as assets when the fair values are positive and as liabilities when the fair values are negative.

Derivative financial instruments are typically entered into with the intention to settle in the near future. These instruments are recorded at fair value. Based on market prices, fair value adjustments and realized gains or losses are recognized in Net (losses) gains in the Consolidated Statements of Income.

Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the Consolidated Statements of Financial Position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously.

Note 2 – Summary of material accounting policies (Continued)

Transition disclosures - IFRS 9

The following page sets out the impact of adopting IFRS 9 on the Statement of Financial Position, including the effect of replacing IAS 39's incurred credit loss calculations with IFRS 9's ECLs.

A reconciliation between the carrying amounts under IAS 39 as at December 31, 2022, and the balances reported under IFRS 9 as at January 1, 2023 is, as follows:

	Measurement category		Carrying amount		
	IAS 39	**IFRS 9**	**IAS 39**	**Impact of IFRS 9**	**IFRS 9**
Cash and equivalents	Amortized cost	Amortized cost	406,368	-	406,368
Debt securities	AFS	FVOCI	582,729	(140,820)	441,909
		FVTPL	-	140,820	140,820
Preferred shares	AFS	FVOCI	101,106	(51,779)	49,327
		FVTPL	-	51,779	51,779
Common shares	AFS	n/a	34,401	(34,401)	-
		FVTPL	-	34,401	34,401
Alternatives	AFS	n/a	47,139	(47,139)	-
		FVTPL	-	47,139	47,139
			1,171,743	-	1,171,743

The following table reconciles the aggregate opening allowances under IAS 39 to the ECL allowances under IFRS 9. Further details are disclosed in Note 3.

	Impairment allowance under IAS 39 at December 31, 2022	**Remeasurement**	**ECLs under IFRS 9 at January 1, 2023**
Available-for-sale debt investment securities per IAS 39/Debt financial assets at FVOCI under IFRS 9	-	-	4,187
	-	-	4,187

Note 2 – Summary of material accounting policies (Continued)

Impact of transition to IFRS 9 and IFRS 17 on AOCI and Retained earnings

	AOCI and Retained earnings
AOCI	
Closing balance under IAS 39 of unrealized gains in AOCI (December 31, 2022)	(44,054)
Impact of initial application of IFRS 9 [1]	33,431
Deferred tax in relation to IFRS 9 application	(8,252)
Impact of initial application of IFRS 17	(112)
Opening balance under IFRS 9 (January 1, 2023)	(18,987)
Retained earnings	
Closing balance under IAS 39 (December 31, 2022)	91,343
Impact of initial application of IFRS 17[2]	14,494
Deferred tax in relation to IFRS 17 application	(4,025)
Impact of initial application of IFRS 9 [1]	(33,431)
Deferred tax in relation to IFRS 9 application	8,252
Opening balance under IFRS 9 and IFRS 17 (January 1, 2023)	76,633
Total change in equity due to application of IFRS 9	-
Total change in equity due to application of IFRS 17	10,357

(1) Reflects movement of unrealized gains and losses between AOCI and retained earnings, as well as the impact of new ECL reserves.
(2) Reflects addition to equity primarily as a result of increases in deferred acquisition costs, as a result of a higher amount of costs required to be deferred under IFRS 17 than under IFRS 4.

Changes in EPS are primarily as a result of an increase in deferred acquisition costs.

Note 2 – Summary of material accounting policies (Continued)

2.3 Cash and cash equivalents

Cash and cash equivalents include short-term investments with original maturities of 90 days or less. The Company has classified cash and cash equivalents at amortized cost, which approximates fair value.

2.4 Capital assets

Capital assets are carried at cost less accumulated depreciation. Depreciation is provided over the estimated useful lives of these assets using the following rates and methods:

Office equipment	30% – 40%, declining balance
Furniture and fixtures	20% – 25%, declining balance
Leasehold improvements	2 to 16 years, straight-line over the term of the lease

Right-of-use (“ROU”) assets are measured at cost less accumulated depreciation and impairment losses.

The ROU assets are depreciated over the earlier of the end of the useful life of the underlying asset or the end of the term of the underlying lease contracts. The lease liability is measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Short-term leases or leases of low-value assets are accounted for by recognizing the lease payments associated with those leases as an expense on a straight-line basis over the term of the leases, as permitted by IFRS 16, *Leases*.

The carrying amounts of the Company’s non-financial assets are assessed at each Statement of Financial Position date to determine whether there is any indication of impairment. If any such indication exists, the asset’s recoverable amount is estimated and the carrying value is reduced to the estimated recoverable amount by means of an impairment charge to net income. The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use.

2.5 Intangible assets

Intangible assets are carried at cost less accumulated amortization. Amortization is provided over the estimated useful lives of those assets. A 40% amortization rate and the declining balance method of amortization are applied to computer software. A 20% amortization rate and the declining balance method of amortization are applied to the customer lists recorded as intangible assets. Licenses have indefinite useful lives and are not amortized.

2.6 Income taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method of tax allocation, deferred income tax assets and liabilities are determined based on the differences between the financial reporting and tax basis of assets and liabilities, and are measured using the tax rates and laws that are expected to be in effect in the periods in which the deferred income tax assets or liabilities are expected to be settled or realized, where those tax rates and laws have been substantively enacted.

Deferred tax assets are only recognized to the extent that it is probable that they will be realized. Estimates are used to determine the value of the deferred tax asset balance based on the assumption that the Company will generate taxable income in future years. Estimates are used to determine the taxes payable balance based on applicable tax legislation. For items in other comprehensive income (loss), the related tax is also presented in other comprehensive income (loss).

2.7 Foreign currency

a) Functional and presentation currency

The Company’s functional and presentation currency is Canadian dollars. Foreign currency transactions are translated into Canadian dollars at the foreign exchange rate in effect on the date of the transaction.

Monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the exchange rate in effect at the Statement of Financial Position date. Foreign exchange differences arising on translation are recognized in net income. Foreign currency non-monetary assets and liabilities which are measured at historical cost are recorded at the exchange rate in effect at the date of transaction. Foreign currency non-monetary assets and liabilities which are measured at fair value are recorded at the exchange rate in effect at the date that fair value was determined.

For debt securities with fixed maturities classified as FVOCI, foreign exchange differences resulting from changes in amortized cost are recognized in net income, while foreign exchange differences arising from unrealized fair value gains and losses are included as unrealized gains (losses) within other comprehensive income (loss). For other financial instruments classified as FVOCI, foreign exchange differences are included as unrealized gains (losses) within other comprehensive income (loss).

Note 2 – Summary of material accounting policies (Continued)

b) Financial statements of foreign operations

For foreign operations that have a functional currency other than Canadian dollars, the results and financial position of such operations are translated into Canadian dollars. Assets and liabilities of the foreign operations are translated at the foreign exchange rates in effect at the Statement of Financial Position date, and income and expenses are translated at average rates approximating the foreign exchange rates in effect at the dates of the transactions.

Foreign exchange differences arising from the translation to Canadian dollars are recognized as cumulative translation adjustment in other comprehensive income (loss).

2.8 Transaction costs

The Company accounts for transaction costs that are incremental and directly attributable to an equity transaction as a deduction from equity, in accordance with IAS 32 *Financial Instruments: Presentation*.

2.9 Share based compensation

The Company's accounting policies with respect to share based compensation are in accordance with IFRS 2, *Share based payment*.

a) Equity-settled stock option plan

The Company maintains an equity-settled stock option plan, which is described in Note 26.1. The value of equity-settled stock options is measured at the grant date, and the cost is recognized in Other operating expenses as an expense over the vesting period. Obligations related to equity-settled stock option plans are recorded in shareholders' equity as contributed surplus. Any consideration paid by stock option holders to exercise the options increases share capital. The Company uses the Black-Scholes model to measure the fair value of stock options. Inputs to the model include a volatility measure, a risk-free rate and expected life of the options.

b) Cash-settled share based plan

The Company maintains a cash-settled share based plan, which is described in Note 26.2. The cost of cash-settled share based options is recognized in Other operating expenses as an expense over the vesting period. Obligations related to cash-settled share based plans are recorded as liabilities at fair value in Other liabilities. At each reporting date, obligations related to the plan are re-measured at fair value with reference to the fair value of the Company's stock price and the number of units that have vested. The corresponding share based compensation expense or recovery is recognized over the vesting period. The Company uses the Black-Scholes model to measure the fair value of cash-settled share based options. Inputs to the model include a volatility measure, a risk-free rate and expected life of the options.

c) Deferred share units plan ("DSU")

The Company has adopted a non-employee director DSU plan, which is described in Note 26.3. This entitles the participants to receive, following the end of the director's tenure as a member of the Board, an amount equivalent to the value of a common share at settlement, for each DSU unit that the participant holds. Obligations related to the plan are recorded as liabilities at fair value in Other liabilities, and re-measured at each reporting date at fair value with reference to the fair value of the Company's stock price and the number of units that have vested. The cost of the DSUs is recognized in Other operating expenses in the period they are awarded.

d) Equity-settled restricted share units plan ("RSU")

The Company has adopted a RSU plan, which is described in Note 26.4. This entitles certain employees to receive RSUs based on the market value of the Company's common shares at the grant date. These RSUs typically vest over the course of three years, however in some instances the vesting period may differ. Obligations related to the equity-settled RSU plan are recorded in shareholders' equity as contributed surplus. The cost of the RSUs is recognized in Other operating expenses over the course of the vesting period.

Note 2 – Summary of material accounting policies (Continued)

2.10 IAS 12 - Income Taxes, International Tax Reform - Pillar Two Model Rules

In May 2023, the IASB issued *International Tax Reform - Pillar Two Model Rules*, which amended IAS 12, *Income Taxes*, for fiscal years on or after December 31, 2023. The amendments include a temporary exception from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes. This exception will allow entities time to assess the implications of the new rules and to avoid diverse interpretations of IAS 12 which could result in inconsistent applications until the IASB can complete further work. The Company has applied this exception and is currently continuing to assess potential impacts.

Note 3 – Critical accounting judgments and estimates in applying accounting policies

The preparation of Consolidated Financial Statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses for the years presented.

3.1 Critical accounting judgments in applying the Company's accounting policies

Judgments are used in applying the accounting policies used to prepare financial statements. Those judgments affect the carrying amount of certain assets and liabilities and the reported amounts of revenues and expenses recorded during the year.

a) Insurance and Reinsurance Contracts

Judgments are used to determine whether contracts should be classified as insurance or investment contracts (see Note 2.2(a)).

b) Liability for remaining coverage and Liability for incurred claims

Judgments are used to determine whether groups of contracts are onerous (see Note 2.2(a)).

Judgment is involved in assessing the most appropriate technique to estimate insurance liabilities for the claims incurred. In certain instances, different techniques or a combination of techniques have been selected for individual accident years or groups of accident years within the same type of contracts (see Note 2.2(a)).

Other key circumstances affecting the reliability of assumptions include variation in interest rates, cost of capital, delays in settlement and changes in foreign currency exchange rates.

Judgment is used when selecting discount rates to apply to insurance liabilities.

c) Risk adjustment for non-financial risk

Judgment is used to determine the methods and assumptions used to determine the risk adjustment for non-financial risk (see Note 2.2(a)).

d) PAA contracts

Judgment is used in determining whether contracts which are greater than one year qualify for PAA (see Note 2.2(a)).

e) Determination of portfolios

Judgment is used in determining which contracts constitute a portfolio (see Note 2.2(a)). For PAA, judgement is also used in determining the materiality threshold and the coverage period on certain contracts.

f) Financial assets

Judgment is used in determining the classification of financial assets as FVOCI, FVTPL or amortized cost (see Note 2.2(b)).

Note 3 – Critical accounting judgments and estimates in applying accounting policies (Continued)

3.2 Assumptions and estimation uncertainty

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the Consolidated financial statements is included below. Any changes in estimates are recorded in the year in which they are determined. Accordingly, actual results may differ from these and other estimates thereby impacting future financial statements:

a) Valuation of insurance contract liabilities

Assumptions and estimation uncertainties exist related to the valuation of insurance contract liabilities (see Note 2.2(a)), as well as significant risk factors associated with insurance and reinsurance.

b) Valuation of level 3 assets

Assumptions and estimation uncertainties exist related to the valuation of Level 3 assets (see Note 2.2(b) and Note 6).

c) Measurement of recoverable from reinsurers

Assumptions and estimates are used in measuring the Reinsurance contract assets and the recoverability of those assets (see Note 2.2(a), and Note 23.2(d)).

d) Measurement of income taxes

Assumptions and estimates are used in measuring the provision for incomes taxes (see Note 20).

e) Impairment of financial assets

Management assesses financial instruments for objective evidence of impairment at each reporting date and there are inherent risks and uncertainties in performing this assessment of impairment loss, including factors such as general economic conditions and issuers' financial conditions (see Note 2.2(b) and Note 4.2).

The measurement of impairment losses under IFRS 9 across relevant financial assets requires judgment, in particular, for the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by the outcome of modelled ECL scenarios and the relevant inputs used.

f) ECL calculations

Assumptions and estimations are used in calculating ECL's (see Note 2.2(b) and Note 4.2).

Note 4 – Investments

4.1 Classification of cash and investments

The following table presents the classification of cash and cash equivalents, short-term securities and investments:

As at December 31, 2023	**FVOCI**	**FVTPL**	**Amortized Cost**	**Total**
Cash and cash equivalents	**-**	**-**	**604,016**	**604,016**
Investments				
Short-term securities	**-**	**-**	**7,500**	**7,500**
Fixed income (1)	**527,880**	**144,815**	**2,500**	**675,195**
Common shares	**-**	**35,412**	**-**	**35,412**
Preferred shares	**50,068**	**65,204**	**-**	**115,272**
Alternatives	**-**	**56,778**	**-**	**56,778**
Total investments	**577,948**	**302,209**	**10,000**	**890,157**
Total cash and cash equivalent and investments	**577,948**	**302,209**	**614,016**	**1,494,173**

As at December 31, 2022	AFS	Cash, loans and receivables	Total
Cash and cash equivalents	-	406,368	406,368
Investments			
Fixed income (1)	582,729	-	582,729
Common shares	34,401	-	34,401
Preferred shares	101,106	-	101,106
Alternatives	47,139	-	47,139
Total investments	765,375	-	765,375
Total cash and cash equivalents and investments	765,375	406,368	1,171,743

(1) As at December 31, 2023, included in Fixed income are exchange-traded debt funds amounting to $138,754 (December 31, 2022 - $136,423).

4.2 Unrealized gains and losses and carrying value of investments

The amortized cost and carrying value of investments as at December 31, 2023 and December 31, 2022 were as follows:

As at December 31, 2023	**FVTPL investments**	**FVOCI and amortized cost investments**				**Total investments**
	At carrying value	**Amortized cost**	**Unrealized gains**	**Unrealized losses**	**Carrying value**	**At carrying value**
Short-term securities	**-**	**7,500**	**-**	**-**	**7,500**	**7,500**
Fixed income	**144,815**	**543,868**	**-**	**(13,488)**	**530,380**	**675,195**
Common shares	**35,412**	**-**	**-**	**-**	**-**	**35,412**
Preferred shares	**65,204**	**56,303**	**-**	**(6,235)**	**50,068**	**115,272**
Alternatives	**56,778**	**-**	**-**	**-**	**-**	**56,778**
	302,209	**607,671**	**-**	**(19,723)**	**587,948**	**890,157**

4.2 Unrealized gains and losses and carrying value of investments (Continued)

As at December 31, 2022	Amortized cost	Unrealized gains	Unrealized losses	Carrying value
Fixed income	629,953	106	(47,330)	582,729
Common shares	41,820	530	(7,949)	34,401
Preferred shares	121,063	674	(20,631)	101,106
Alternatives	43,002	4,307	(170)	47,139
	835,838	5,617	(76,080)	765,375

The ECL of $3,292 (2022: $nil) is recognized in Other comprehensive income (loss), and does not reduce the carrying amount of these investments in the Statement of Financial Position.

Impairment losses on financial investments subject to impairment assessment

For the year ended December 31, 2023, an analysis of changes in the fair value and the corresponding ECLs is as follows:

	12mECL	LTECL	Total
Fair value as at January 1, 2023	**441,932**	**656**	**442,588**
New assets purchased	164,300	-	164,300
Assets derecognized or matured	(85,662)	(542)	(86,204)
Change in fair value	12,693	(479)	12,214
Net foreign exchange income	(5,018)	-	(5,018)
Movement between 12mECL and LTECL	(1,115)	1,115	-
As at December 31, 2023	**527,130**	**750**	**527,880**

	12mECL	LTECL	Total
ECL as at January 1, 2023	**3,935**	**252**	**4,187**
New assets purchased	572	-	572
Assets derecognized or matured (excl. writeoffs)	(225)	(251)	(476)
Movement in ECL	(824)	(167)	(991)
Movement between 12mECL and LTECL	(265)	265	-
As at December 31, 2023	**3,193**	**99**	**3,292**

For the year ended 2022, management reviewed available information regarding those investments with a fair value less than carrying value, and recognized an impairment loss of $3,041 on AFS investments. Assumptions were used when estimating the impairment loss based on the Company's impairment policy.

4.3 Pledged assets

In the normal course of insurance and reinsurance operations, the Company must secure its obligations under certain insurance and reinsurance contracts by collateralizing them with letters of credit or trust arrangements. As at December 31, 2023, the Company has pledged cash amounting to $479 (December 31, 2022 - $741), under insurance and reinsurance trust arrangements and are therefore not readily available for general use by the Company.

As at December 31, 2023, the Company pledged $7,212 (December 31, 2022 – $7,295) of fixed income investments as security deposits to various US state insurance departments to be held in trust for various states and are therefore not readily available for general use by the Company.

Note 5 – Fair value and notional amount of derivatives

The following sets out the fair value and notional amount of derivatives as at December 31, 2023 and December 31, 2022:

As at	**December 31, 2023**			December 31, 2022		
		Fair value			Fair value	
	Notional amount	**Asset**	**Liability**	Notional amount	Asset	Liability
Foreign currency contracts						
Forwards	**136,312**	**1,052**	**-**	127,460	671	-
Equity contracts						
Swap agreement	**11,088**	**10,907**	**-**	13,197	13,969	-
Interest rate contracts						
Swap agreement	**-**	**-**	**-**	6,218	1,319	-
	147,400	**11,959**	**-**	146,875	15,959	-
Term to maturity						
less than one year	**136,762**	**2,396**	**-**	140,657	14,640	-
from one to five years	**10,638**	**9,563**	**-**	-	-	-
over five years	**-**	**-**	**-**	6,218	1,319	-

The Company uses foreign currency forward contracts to reduce its exposure to fluctuations in the exchange rates that could arise from its USD, EUR and GBP denominated investments. The notional amounts of the forwards as at December 31, 2023 are $97,664 USD (December 31, 2022 – $85,633 USD), €1,477 EUR (December 31, 2022 – €1,561 EUR) and £2,349 GBP (December 31, 2022 – £5,455 GBP). The Company also uses swap agreements to mitigate exposure to equity market fluctuations associated with its share based compensation. These derivatives are recorded at fair value (see Note 6, Note 9) and gains and losses are recorded in Net (losses) gains (see Note 8).

Note 6 – Fair value measurement

The following sets out the financial instruments classified in accordance with the fair value hierarchy as at December 31, 2023 and December 31, 2022:

As at December 31, 2023	**Total fair value**	**Level 1**	**Level 2**	**Level 3**
Fixed income	**672,695**	**-**	**672,695**	**-**
Common shares	**35,412**	**35,412**	**-**	**-**
Preferred shares	**115,272**	**115,272**	**-**	**-**
Alternatives	**56,778**	**-**	**-**	**56,778**
Total investments	**880,157**	**150,684**	**672,695**	**56,778**
Derivative financial assets	**11,959**	**-**	**11,959**	**-**
	892,116	**150,684**	**684,654**	**56,778**

As at December 31, 2022	Total fair value	Level 1	Level 2	Level 3
Fixed income	582,729	-	582,729	-
Common shares	34,401	34,401	-	-
Preferred shares	101,106	101,106	-	-
Alternatives	47,139	-	-	47,139
Total investments	765,375	135,507	582,729	47,139
Derivative financial assets	15,959	-	15,959	-
	781,334	135,507	598,688	47,139

Note 6 – Fair value measurement (Continued)

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the hierarchy as at December 31, 2023 and December 31, 2022:

	December 31, 2023	December 31, 2022
Balance at beginning of year	**47,139**	13,640
Transfers in	**-**	9,572
Realized and unrealized losses	**(5,787)**	(1,069)
Purchase of securities	**16,378**	25,245
Sale of securities	**-**	(292)
Foreign exchange	**(952)**	43
Balance at end of year	**56,778**	47,139

The following tables present quantitative information about the significant fair value inputs utilized by the Company for Level 3 assets:

	Fair value as at December 31, 2023	**Valuation techniques**	**Unobservable inputs**	**Range**	**Sensitivity [(2)]**
Private equity funds	**56,778**	**Net asset value [(1)]**	**n/a**	**n/a**	**n/a**

	Fair value as at December 31, 2022	Valuation techniques	Unobservable inputs	Range	Sensitivity [(2)]
Private equity funds	45,081	Net asset value [(1)]	n/a	n/a	n/a
Private equity investment	2,058	Discounted cash flow	Discount rate Exit multiple	13.7% 10x	Negative Positive

(1) Based on the net asset value of the equity fund and market transactions which approximates the fair value of the investment.
(2) A negative or positive impact reflects the decrease or increase in the fair value of the private equity investment assuming an increase in the unobservable inputs.

Note 7 – Net investment income

For the years ended December 31,	2023	2022
Cash and cash equivalents, and short-term securities	**16,874**	2,286
FVOCI bonds	**20,334**	16,224
FVTPL bonds	**6,372**	-
Interest income	**43,580**	18,510
FVTPL common shares	**4,234**	-
FVOCI common shares	**-**	3,680
FVTPL preferred shares	**3,837**	-
FVOCI preferred shares	**2,777**	5,210
Dividend income	**10,848**	8,890
Investment expenses	**(2,759)**	(2,238)
Net investment income	**51,669**	25,162

Note 8 – Net (losses) gains

For the years ended December 31,	2023	2022
FVOCI financial instruments:		
FVOCI fixed income	**(1,004)**	2,006
FVOCI equity securities	**-**	7,463
FVTPL financial instruments:		
FVTPL fixed income	**3,419**	-
FVTPL equity securities	**1,969**	-
FVTPL alternatives	**(5,741)**	-
	(1,357)	9,469
Derivatives:		
Swap agreements [1]	**(3,625)**	216
Embedded derivatives	**724**	1,007
Impairment on investments	**-**	(3,041)
Net foreign currency (losses) gains	**(5,400)**	1,151
Net (losses) gains	**(9,658)**	8,802

(1) Excluding foreign currency contracts, which are reported in the line Net foreign currency (losses) gains.

Note 9 – Other assets

As at December 31, 2023 and December 31, 2022, Other assets consist of:

As at	December 31, 2023	December 31, 2022
Tax recoveries	**23,954**	22,773
Derivative financial assets	**11,959**	15,959
Accrued investment income	**6,929**	5,358
Unsettled investments receivable	**2,987**	9,975
Prepaid expenses	**2,008**	1,780
Other assets	**5,875**	6,007
	53,712	61,852

Note 10 – Leases

The Company leases office premises for its own use. These leases have terms that range from 2 years to 16 years, most with an option to extend the lease at the end of the lease term.

As at December 31, 2023, ROU assets of $9,042 (December 31, 2022 – $11,109) are recorded in Capital assets and intangible assets, along with $7,615 (December 31, 2022 – $8,420) of other Capital assets and intangible assets.

Information about leases for which the Company is a lessee is presented below:

As at	December 31, 2023	December 31, 2022
Right-of-use assets	**Premises**	Premises
Balance, beginning of year	**11,109**	9,446
Additions	**465**	3,767
Depreciation	**(2,325)**	(2,314)
Disposals	**(109)**	-
Foreign exchange	**(98)**	210
Balance, end of year	**9,042**	11,109

As at	December 31, 2023	December 31, 2022
Lease liabilities maturity analysis		
Less than one year	**2,571**	2,630
One to five years	**5,737**	7,206
More than five years	**2,600**	3,424
Total undiscounted lease liabilities	**10,908**	13,260
Lease liabilities included in the Statements of Financial Position	**9,698**	11,741
Total cash outflow for leases recognized in the Statements of Cash Flows	**2,371**	2,303

Amounts recognized in Consolidated Statements of Income for the years ended	December 31, 2023	December 31, 2022
Interest on lease liabilities	**338**	410
Expenses relating to leases of low-value assets	**8**	5
Income from subleasing right-of-use assets	**34**	34

Note 11 – Capital assets

The Company's capital assets consist of the following as at December 31, 2023 and December 31, 2022:

	As at December 31, 2023			As at December 31, 2022		
	Cost	**Accumulated depreciation**	**Carrying value**	Cost	Accumulated depreciation	Carrying value
Leasehold improvements	**2,986**	**(1,638)**	**1,348**	2,978	(1,177)	1,801
Office equipment	**3,226**	**(1,864)**	**1,362**	2,702	(1,272)	1,430
Furniture and fixtures	**1,202**	**(631)**	**571**	1,179	(445)	734
	7,414	**(4,133)**	**3,281**	6,859	(2,894)	3,965

Note 12 – Intangible assets

The Company's intangible assets consist of the following as at December 31, 2023 and December 31, 2022:

	December 31, 2023				December 31, 2022			
	Computer software	**Customer list**	**Licenses**	**Total**	Computer software	Customer list	Licenses	Total
Opening, carrying value	**387**	**1,336**	**2,732**	**4,455**	333	472	2,557	3,362
Additions	**437**	**-**	**-**	**437**	254	1,000	-	1,254
Amortization	**(227)**	**(267)**	**-**	**(494)**	(200)	(136)	-	(336)
Foreign exchange	**-**	**-**	**(64)**	**(64)**	-	-	175	175
Closing, carrying value	**597**	**1,069**	**2,668**	**4,334**	387	1,336	2,732	4,455

Note 13 – Other liabilities

As at December 31, 2023 and December 31, 2022, Other liabilities consist of:

As at	**December 31, 2023**	December 31, 2022
Deposits in trust [1]	**51,083**	9,807
Accrued liabilities	**26,457**	23,550
Taxes payable	**15,133**	-
Share based payment plan	**9,742**	12,669
Lease liabilities	**9,698**	11,741
Deferred tax liabilities	**-**	2,836
Other liabilities	**7,952**	4,508
	120,065	65,111

(1) The Company periodically holds deposits in trust from reinsurers and other counterparties as a form of collateral.

Note 14 – Reinsurance contracts

There is a provision for reinsurer non-performance of $14,472 as at December 31, 2023 (December 31, 2022 – $2,740). As at December 31, 2022, the Company determined that certain Reinsurance contract assets associated with a reinsurance counterparty should be written off, as the Company determined that collection of these was in doubt. The Company has since terminated its relationship with that reinsurance counterparty.

Allegations have emerged regarding the legitimacy of certain letters of credit associated with a particular bank. Trisura holds certain letters of credit from this bank which were provided by one of our US reinsurance partners. Trisura has evaluated the recoverability of reinsurance assets associated with this reinsurance partner and determined that given the information available, no provision of recoverability of those assets is required as at and for the year ended December 31, 2023.

Note 15 – Capital management

The Company's capital is its shareholders' equity, which consists of common shares, contributed surplus, retained earnings and accumulated other comprehensive income (loss). The Company reviews its capital structure on a regular basis to ensure an appropriate capital structure in keeping with all regulatory, business and shareholder obligations.

Oversight of the capital of the Company rests with management and the board of directors. Their objectives are twofold: (i) to ensure the Company is prudently capitalized relative to the amount and type of risks assumed and the requirements established by the laws and regulations applicable to the Company's regulated subsidiaries; and (ii) to ensure shareholders receive an appropriate return on their investment.

In Canada, under guidelines established by the Office of the Superintendent of Financial Institutions which apply to the regulated insurance company of Trisura Canada, Canadian property and casualty insurance companies must maintain minimum levels of capital as determined in accordance with a prescribed test, the minimum capital test ("MCT"), which expresses available capital (actual capital plus or minus specified adjustments) as a percentage of required capital. Companies are expected to maintain MCT level of at least 150% and are further required to establish their own target MCT level based on the nature of their operations and the business they write. Management, with the board of directors' approval, has established Trisura Canada's target MCT level in accordance with these requirements.

In the US, the regulated insurance companies of Trisura US are subject to externally imposed regulatory capital requirements by the Oklahoma Insurance Department as a Domestic Surplus Line Insurer. The Company's admitted carrier is subject to the various capital requirements of each US state in which it is licensed. A requirement of the regulators is that Trisura US' regulated insurance companies' Risk Based Capital exceed certain minimum thresholds as well as Company Action Levels (CALs), below which the companies would have to notify the regulators.

Note 16 – Loan payable

16.1 Loan payable

The Company maintains a five-year revolving credit facility (the "Facility") with a Canadian Schedule I bank (the "Bank") which allows for drawings of up to $50,000. Under this arrangement, the Company is able to draw funds in the form of short-term banker's acceptances, Canadian prime rate advances, base rate advances or Secured Overnight Financing Rate (SOFR) loans. The interest rate is based on the current periods' bankers' acceptance rate, Canadian prime rate, base rate, or SOFR loans rate, plus a margin. The loan balance is accounted for at amortized cost, which is equal to the carrying value. The minimum required annual payment consists only of interest, with no mandatory principal payments required.

In Q2 2022, $30,000 was drawn under the Facility, which was repaid in the following quarter. In Q3 2023, the Company issued a Letter of Credit for $13,500 (December 31, 2022 – $nil) through this facility, lowering the undrawn capacity to $36,500 (December 31, 2022 - $50,000).

As part of the covenants of the current loan arrangement, the Company is required to maintain certain financial ratios, which were fully met as at December 31, 2023 and December 31, 2022.

16.2 Senior unsecured notes

In June 2021, the Company completed an offering of senior unsecured notes (the "Notes"), with a principal amount of $75,000, which will mature on June 11, 2026. The Notes bear interest at a fixed annual rate of 2.64%. Interest is payable in semi-annual instalments which commenced on December 11, 2021. The Notes are direct unsecured obligations and will rank equally with all other unsecured and unsubordinated indebtedness of the Company.

The following table provides details of the total debt outstanding as at December 31, 2023 and December 31, 2022.

						Carrying value	
	Maturity date	Term (years)	Fixed rate	Coupon (payment)	Principal amount	Dec.31,2023	Dec.31,2022
Senior unsecured notes	June 11, 2026	5	2.64%	Jun, Dec	75,000	**75,000**	75,000

For the year ended December 31, 2023, the Company incurred $2,409 of interest expense (December 31, 2022 – $2,644), of which $1,980 (December 31, 2022 – $2,243) is related to the senior unsecured notes.

Note 17 – Share capital

The Company's authorized share capital consists of: (i) an unlimited number of common shares; (ii) an unlimited number of non-voting shares; and (iii) an unlimited number of preference shares (issuable in series). As at December 31, 2023 and December 31, 2022, no non-voting shares were issued and no preferred shares are outstanding.

In July 2022, the Company completed a public offering of 4,512,000 common shares for gross proceeds of $150,024. The Company incurred costs of $6,001 in commission paid to underwriters as well as $529 of costs directly attributable to the share issuance, which have been deducted from equity. As at December 31, 2022, the net impact of the share issuance is an increase in common shares of $145,225, net of tax impact of $1,731 related to the share issuance costs.

In August 2023, the Company completed a public offering of 1,620,000 common shares for gross proceeds of $53,298. The Company incurred costs of $2,132 in commission paid to underwriters as well as $371 of costs directly attributable to the share issuance, which have been deducted from equity. As at December 31, 2023, the net impact of the share issuance is an increase in common shares of $51,458, net of tax impact of $663 related to the share issuance costs.

For the year ended December 31, 2023, 77,798 stock options (December 31, 2022 – 145,141 stock options) issued under the Company's existing stock option plan were exercised. Consideration paid by stock option holders to exercise the options resulted in an increase to share capital.

Note 17 – Share capital (Continued)

The following table shows the common shares issued and outstanding, excluding treasury shares:

As at	**December 31, 2023**		December 31, 2022	
	Number of common shares	**Amount (in thousands)**	Number of common shares	Amount (in thousands)
Balance, beginning of year	**45,783,528**	**430,262**	41,165,198	285,035
Shares under RSUs plan	**(41,556)**	**(1,409)**	(38,811)	(1,946)
Common shares issued	**1,697,798**	**52,170**	4,657,141	147,173
Balance, end year	**47,439,770**	**481,023**	45,783,528	430,262

As part of the RSUs plan, the Company purchases its own shares which are classified as treasury shares and the costs of these shares are recorded as a reduction to equity. As at December 31, 2023, the Company has an aggregate of 47,579,035 common shares (December 31, 2022 – 45,881,237 common shares) outstanding, which includes 139,265 treasury shares (December 31, 2022 – 97,709 treasury shares).

Note 18 – Earnings per share

Basic earnings per common share are calculated by dividing the net income attributable to common shareholders for the reporting period by the weighted-average number of common shares.

Diluted earnings per share is calculated by dividing the net income attributable to common shareholders for the reporting period by the weighted-average number of common shares adjusted for the effects of all dilutive potential common shares, which consist of stock options.

	2023	2022
Net income attributable to common shareholders	**66,941**	27,795
Weighted-average number of common shares outstanding (in shares)	**46,528,778**	43,416,202
EPS – basic (in dollars)	**1.44**	0.64
Dilutive effect of the conversion of options on common shares (in shares)	**766,998**	835,717
Diluted weighted-average number of common shares outstanding (in shares)	**47,295,776**	44,251,919
EPS – diluted (in dollars)	**1.42**	0.63

Note 19 – Segmented information

As at December 31, 2023, the Company has two reportable segments. The operations of Trisura Canada comprise Surety business underwritten in both Canada and the United States, and Risk Solutions, Fronting and Corporate Insurance products primarily underwritten in Canada. Trisura US provides specialty fronting insurance solutions underwritten in the United States. The operations of Trisura US include the active operations of Trisura International.

During Q1 2022, the Company determined that Trisura International, which comprised the Company's international reinsurance operations, no longer met the quantitative threshold for reportable segment disclosure purposes and the Company's chief operating decision maker no longer deems Trisura International's results to be significant. The run-off operations of Trisura International has been reclassified to Corporate and other.

The following tables show the results for the years ended December 31, 2023 and 2022:

Year ended December 31, 2023	**Trisura Canada**	**Trisura US**	**Corporate and Other**	**Total**
Insurance revenue	824,834	1,964,353	-	**2,789,187**
Insurance service expenses	(543,362)	(1,701,806)	(78)	**(2,245,246)**
Net expense from reinsurance contracts assets	(191,464)	(267,142)	-	**(458,606)**
Insurance service result	90,008	(4,595)	(78)	**85,335**
Net investment income	25,214	23,387	3,068	**51,669**
Net losses	(3,523)	(157)	(5,978)	**(9,658)**
Net credit impairment reversals	299	409	187	**895**
Total investment income (loss)	21,990	23,639	(2,723)	**42,906**
Finance expenses from insurance contracts	(11,888)	(63,987)	-	**(75,875)**
Finance income from reinsurance contracts	7,742	58,017	-	**65,759**
Net insurance finance expenses	(4,146)	(5,970)	-	**(10,116)**
Net financial result	17,844	17,669	(2,723)	**32,790**
Net insurance and financial result	107,852	13,074	(2,801)	**118,125**
Other income	7,654	-	-	**7,654**
Other operating expenses	(16,814)	(14,557)	(1,576)	**(32,947)**
Other finance costs	(223)	(105)	(2,081)	**(2,409)**
Income (loss) before tax	**98,469**	**(1,588)**	**(6,458)**	**90,423**

Note 19 – Segmented information (Continued)

Year ended December 31, 2022	Trisura Canada	Trisura US	Corporate and Other	Total
Insurance revenue	626,635	1,388,280	-	2,014,915
Insurance service expenses	(443,539)	(1,299,034)	(28)	(1,742,601)
Net expense from reinsurance contracts assets	(115,297)	(127,831)	-	(243,128)
Insurance service result	67,799	(38,585)	(28)	29,186
Net investment income	14,761	8,444	1,957	25,162
Net gains	2,375	2,867	3,560	8,802
Total investment income	17,136	11,311	5,517	33,964
Finance income from insurance contracts	2,396	2,186	-	4,582
Finance expenses from reinsurance contracts	(829)	(1,936)	-	(2,765)
Net insurance finance income	1,567	250	-	1,817
Net financial result	18,703	11,561	5,517	35,781
Net insurance and financial result	86,502	(27,024)	5,489	64,967
Other income	6,593	-	-	6,593
Other operating expenses	(15,303)	(9,912)	(3,956)	(29,171)
Other finance costs	(268)	(115)	(2,261)	(2,644)
Income (loss) before tax	77,524	(37,051)	(728)	39,745

As at December 31, 2023	**Trisura Canada**	**Trisura US**	**Corporate and Other**	**Total**
Assets	**1,008,169**	**2,463,918**	**112,358**	**3,584,445**
Liabilities	**718,385**	**2,193,711**	**52,920**	**2,965,016**

As at December 31, 2022	Trisura Canada	Trisura US	Corporate and Other	Total
Assets	750,056	1,952,537	96,272	2,798,865
Liabilities	539,192	1,710,980	55,042	2,305,214

Note 20 – Income taxes

	Statements of Financial Position		Statements of Comprehensive Income	
	December 31, 2023	December 31, 2022	**December 31, 2023**	December 31, 2022
Deferred taxes related to:				
Loss available for carry forward	**3,159**	1,065	**(2,097)**	1,491
Net insurance contract liabilities	**13,995**	3,731	**(10,572)**	544
Deferred expenses for tax purposes	**1,056**	9,934	**8,927**	(3,029)
Investments – unrealized gains and losses	**4,344**	6,798	**2,347**	-
Capital, intangible and other assets	**67**	22	**(45)**	24
	22,621	21,550	**(1,440)**	(970)
Less deferred taxes related to:				
Deferred revenues for tax purposes	**(6,101)**	(5,856)	**390**	375
Investments – unrealized gains and losses	**-**	-	**-**	(7,892)
Capital, intangible and other assets	**(206)**	(587)	**(378)**	276
	(6,307)	(6,443)	**12**	(7,241)
Deferred income taxes	**16,314**	15,107	**(1,428)**	(8,211)
Reported in:				
Deferred tax assets	**16,314**	17,942	**-**	-
Deferred tax liabilities	**-**	(2,835)	**-**	-
Income tax (recovery) expense reported to Net income	**-**	-	**(2,822)**	461
Income tax expense (recovery) reported to Other comprehensive income (loss)	**-**	-	**2,056**	(6,941)
Income tax recovery reported to Retained earnings	**-**	-	**(662)**	(1,731)

A deferred income tax asset is recognized only to the extent that realization of the related income tax benefit through future taxable profits is probable. Management has assessed the recoverability of the deferred income tax asset carrying values based on future years' taxable income projections and believes the carrying values of the deferred income tax assets as at December 31, 2023 and December 31, 2022 are recoverable.

The following shows the major components of income tax expense for the years ended December 31, 2023 and 2022:

	December 31, 2023	December 31, 2022
Current tax expense	**26,304**	11,489
Deferred tax (benefit) expense	**(2,822)**	461
Income tax expense	**23,482**	11,950
Income taxes recorded in other comprehensive income (loss):		
Net changes in unrealized gain (losses) on FVOCI investments	**2,129**	(10,225)
Reclassification to net income of net losses on FVOCI investments	**(260)**	(1,809)
Origination and reversal of temporary differences	**2,056**	(6,941)
Total income tax expense (benefit) recorded in Other comprehensive income (loss)	**3,925**	(18,975)

Note 20 – Income taxes (Continued)

The following is a reconciliation of income taxes calculated at the statutory income tax rate to the income tax provision included in the Consolidated Statements of Income for the years ended December 31, 2023 and 2022:

	December 31, 2023	December 31, 2022
Income before income taxes	**90,423**	39,745
Statutory income tax rate	**26.5%**	26.5%
	23,962	10,532
Variations due to:		
Permanent differences	**(1,399)**	(936)
International operations subject to different tax rates	**1,125**	2,161
Unrecognized tax loss	**116**	150
Rate differentials:		
Current rate versus future rate	**-**	-
Change in future rate	**(5)**	3
True up	**(317)**	40
Income tax expense	**23,482**	11,950

The permanent differences relate primarily to investment income or losses that are non-taxable or taxed at rates lower than the statutory income tax rate, such as non-taxable dividend income and capital gains.

As at December 31, 2023, the Company has unused tax losses of $10,689 (December 31, 2022 – $3,484), which will expire in the following years:

	December 31, 2023
2042	**2,151**
2043	**8,538**
	10,689

Note 21 – Roll-forward of net liability for insurance contracts issued showing LRC and LIC

Insurance operations	2023				2022			
	LRC	**LIC**		**Total**	LRC	LIC		Total
		Present value of future cash flows	**Risk adj. for non-financial risk**			Present value of future cash flows	Risk adj. for non-financial risk	
Opening insurance contract liabilities	**654,686**	**1,349,319**	**161,098**	**2,165,103**	400,637	862,387	95,864	1,358,888
Insurance revenue	(2,789,187)	-	-	(2,789,187)	(2,014,915)	-	-	(2,014,915)
Insurance service expenses								
Incurred claims and other directly attributable expenses	48,782	1,346,982	126,212	1,521,976	33,612	1,026,047	90,704	1,150,363
Changes that relate to past service	-	61,981	(55,398)	6,583	-	46,445	(33,119)	13,326
Insurance acquisition cash flows amortization	716,687	-	-	716,687	578,912	-	-	578,912
Insurance service result from insurance contracts	**(2,023,718)**	**1,408,963**	**70,814**	**(543,941)**	(1,402,391)	1,072,492	57,585	(272,314)
Finance expenses (income) from insurance contracts issued	-	75,875	-	75,875	-	(4,582)	-	(4,582)
Effects of exchange rate movements	(10,784)	(35,003)	(4,517)	(50,304)	23,133	61,592	7,649	92,374
Total amounts recognized in Net income	**(2,034,502)**	**1,449,835**	**66,297**	**(518,370)**	(1,379,258)	1,129,502	65,234	(184,522)

Note 21 – Roll-forward of net liability for insurance contracts showing LRC and LIC (Continued)

Insurance operations	2023				2022			
	LRC	**LIC**		**Total**	LRC	LIC		Total
		Present value of future cash flows	**Risk adj. for non-financial risk**			Present value of future cash flows	Risk adj. for non-financial risk	
Cash flows								
Premiums received	2,817,549	-	-	2,817,549	2,293,671	-	-	2,293,671
Claims and other directly attributable expenses paid	-	(957,441)	-	(957,441)	-	(642,570)	-	(642,570)
Insurance acquisition cash flows	(736,890)	-	-	(736,890)	(660,364)	-	-	(660,364)
Total cash flows	2,080,659	(957,441)	-	1,123,218	1,633,307	(642,570)	-	990,737
Ending balance of Insurance contract liabilities as at December 31	**700,843**	**1,841,713**	**227,395**	**2,769,951**	654,686	1,349,319	161,098	2,165,103

Note 22 – Roll-forward of net asset for reinsurance contracts held showing ARC and Asset for incurred claims ("AIC")

Reinsurance contracts held	2023				2022			
	ARC	**AIC**		**Total**	ARC	AIC		Total
		Present value of future cash flows	**Risk adj. for non-financial risk**			Present value of future cash flows	Risk adj. for non-financial risk	
Opening reinsurance contract assets	245,681	1,162,668	141,963	1,550,312	131,824	749,394	85,272	966,490
Opening reinsurance contract liabilities	(22,513)	-	-	(22,513)	(4,816)	-	-	(4,816)
Net balance as at January 1	**223,168**	**1,162,668**	**141,963**	**1,527,799**	127,008	749,394	85,272	961,674
Allocation of reinsurance premiums (ceding premiums paid)	(2,120,754)	-	-	(2,120,754)	(1,528,112)	-	-	(1,528,112)
Claims recovered:								
Amounts recoverable for incurred claims and other directly attributable expenses	415,017	1,119,566	112,934	1,647,517	287,626	892,907	79,931	1,260,464
Changes to amounts recoverable for incurred claims	-	63,791	(49,160)	14,631	-	54,828	(30,308)	24,520
Net (expense) income from reinsurance contracts assets	**(1,705,737)**	**1,183,357**	**63,774**	**(458,606)**	(1,240,486)	947,735	49,623	(243,128)
Reinsurance finance income (expenses)	-	65,759	-	65,759	-	(2,765)	-	(2,765)
Effects of exchange rate movements	(5,642)	(31,709)	(4,138)	(41,489)	10,625	78,815	7,068	96,508
Total amounts recognized in comprehensive income	**(1,711,379)**	**1,217,407**	**59,636**	**(434,336)**	(1,229,861)	1,023,785	56,691	(149,385)
Cash flows								
Premiums paid net of ceding commissions and other directly attributable expenses paid	1,699,825	(789,699)	-	910,126	1,326,021	(610,511)	-	715,510
Total cash flows	1,699,825	(789,699)	-	910,126	1,326,021	(610,511)	-	715,510
Ending balance of Reinsurance contract assets as at December 31	**211,614**	**1,590,376**	**201,599**	**2,003,589**	223,168	1,162,668	141,963	1,527,799

Note 23 – Risk management

As a provider of insurance products, effective risk management is critical to the Company's ability to protect the interests of its stakeholders. The most significant risks include those associated with insurance and reinsurance contracts and holding financial instruments. The Company has policies and procedures governing the identification, measurement, monitoring, mitigating and controlling of risks associated with insurance contracts and holding financial instruments. The most significant risk associated with insurance contracts is insurance risk, which includes pricing risk, concentration risk and reserving risk. The significant risks associated with financial instruments are credit risk, liquidity risk and market risk (comprising currency risk, interest rate risk and other price risks such as equity risk). Sensitivity analyses are performed on these significant risks which could impact the Company's results and financial condition. Results of the sensitivity analyses should only be viewed as directional estimates as they can differ materially from actual results.

The following sections describe how the Company manages its insurance risk and risks associated with financial instruments.

23.1 Insurance risk

Insurance risk is the risk that the ultimate cost of claims, as well as acquisition expenses, related to insurance contracts will exceed premiums received in respect of those contracts. This could occur because either the frequency or severity of claims is greater than expected.

The Company's objective for managing insurance risk is to mitigate the risk while continuing to grow and to achieve profitable underwriting results within its identified product lines. Senior management seeks to achieve this objective through effective use of underwriting and pricing policies, procedures and guidelines, which it has developed for pricing and issuing bonds and policies or assuming reinsurance risk. In addition, careful oversight is applied to the underwriting process to ensure that these policies, procedures and guidelines are followed. Furthermore, the Company regularly reviews its underwriting practices to ensure that they reflect emerging trends in its existing business and in the marketplace. Insurance risk is further mitigated through effective claims and expense management, and through the use of reinsurance.

The insurance risks associated with insurance contracts underwritten by the Company are subject to a number of variables such as estimated loss ratios and estimated claims settlement costs, which are sensitive to various assumptions which can impact the estimation of claims liabilities (see Note 3.1(b)).

There were no significant changes in Group's objectives, policies and processes for managing risk and the methods used to measure risk compared to the previous period.

Some additional factors that impact insurance risk include pricing risk, reserving risk, and concentration risk, which are described below:

a) Pricing risk

Pricing risk is the risk that an insurance product has been priced using assumptions about claims activity that are different from the actual experience of that product line. The Company mitigates the impact of pricing risk through the use of guidelines, which are designed such that premium rates take into account claims frequency and severity, expense levels, investment returns and profit margins required to support a particular product line. The Company reviews pricing assumptions regularly to ensure that they reflect up-to-date claims experience and expected future changes in that experience, as well as market conditions. The Company further mitigates the impact of pricing risk through the employment of experienced underwriting staff.

b) Reserving risk

Reserving risk is the risk that future claims arising on past exposure periods exceed the liability recorded in respect of Liability for incurred claims. The Company's management of reserving risk is discussed in Note 3.1(b).

Note 23 – Risk management (Continued)

c) Concentration of insurance risk

Concentration risk is the risk that the Company's insurance products are concentrated within a particular geographic area, particular class of business, or a particular insured, thereby increasing the exposure of the Company to a single event or a series of related events. Concentration of risk could arise as a result of accumulations of large numbers of insurance or reinsurance contracts exposed to similar perils, classes of business or geographic areas.

To mitigate the impact of concentration of risk, the Company applies risk management practices, including the use of reinsurance, monitoring and modelling techniques, and regularly reviews its portfolio of insurance risks for concentration and aggregation of risks and makes adjustments as needed in order to ensure exposures are within tolerances. The active management of its reinsurance programs and collateral requirements is also an important element in maintaining net claims exposures and concentration and aggregation risks within the Company's risk tolerance.

The following table shows the mix of the Company's insurance policies by product line and geography, which reflects the Company's diversification of insurance risk:

	December 31, 2023		December 31, 2022	
	Canada	**US**	Canada	US
Surety	**121,018**	**21,403**	90,297	11,081
Corporate insurance	**165,541**	**-**	143,537	-
Risk solutions warranty	**109,172**	**-**	99,347	-
Fronting	**407,700**	**1,964,353**	282,373	1,388,280
Insurance revenues	**803,431**	**1,985,756**	615,554	1,399,361

d) Sensitivity to insurance risk

The insurance risks associated with the lines of business underwritten by the Company are sensitive to various assumptions which can impact the estimation of the liability for incurred claims. The relevant risk variables for the Company's estimation of the liability for incurred claims are subject to assumptions that impact the ultimate value of the estimated loss ratio as well as the estimated claims settlement costs. The loss ratio is used to calculate losses of the Company as a percentage of insurance revenue, after taking into account the impact of reinsurance. Below is an analysis showing the impact of a 5% increase in the loss ratio, as a percentage of insurance revenue, before and after taking into account the impact of reinsurance, and a 5% increase in claims settlement costs of claims reserves, based on an increase in the current LIC and AIC balances. Such variances in the estimation were considered reasonably possible during the years ended December 31, 2023 and 2022. The impacts described in the table below are independent of one another. A 5% decrease to the loss ratio and a 5% decrease in claims settlement costs would have the opposite effect on profit before tax and shareholders' equity.

	Dec. 31, 2023	Dec. 31, 2022	**Dec. 31, 2023**	Dec. 31, 2022	**Dec. 31, 2023**	Dec. 31, 2022	**Dec. 31, 2023**	Dec. 31, 2022
Sensitivity factor	**Impact on profit before tax, gross of reinsurance**		**Impact on profit before tax, net of reinsurance**		**Impact on shareholders' equity, gross of reinsurance**		**Impact on shareholders' equity, net of reinsurance**	
5% increase to loss ratio	**(145,429)**	(104,514)	**(28,897)**	(20,309)	**(113,011)**	(81,177)	**(22,041)**	(15,730)
5% increase to claims settlement costs	**(156,567)**	(106,968)	**(21,955)**	(14,643)	**(122,793)**	(83,738)	**(17,382)**	(11,547)

Note 23 – Risk management (Continued)

e) Prior year claims development

The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to date.

As required by IFRS 17, in setting claims provisions, the Company gives consideration to the probability and magnitude of future experience being more adverse than assumed which is reflected in the risk adjustment. In general, the uncertainty associated with the ultimate cost of settling claims is greatest when the claim is at an early stage of development. As claims develop, the ultimate cost of claims becomes more certain.

The following table presents the net cumulative claim payments to date and estimate of net undiscounted liabilities for incurred claims, including effect of the risk adjustment for non-financial risk, at the end of the year:

Net claims loss development

Accident year	All prior years	2014	2015	2016	2017	2018	2019	2020	2021	2022	**2023**	**Total**
Estimate of net ultimate claims incurred		14,002	18,997	28,378	21,741	23,172	36,054	54,725	94,487	161,146	**220,048**	
One year later		12,363	15,878	26,772	19,059	20,089	32,954	55,293	88,841	169,002		
Two years later		10,310	14,365	26,380	17,409	19,884	30,968	57,937	103,236			
Three years later		9,224	14,421	25,826	16,467	19,461	30,034	59,691				
Four years later		8,934	13,340	26,739	15,222	19,242	31,061					
Five years later		8,269	12,730	26,198	14,698	18,106						
Six years later		9,303	12,682	25,867	14,323							
Seven years later		9,183	12,640	25,980								
Eight years later		9,184	12,358									
Nine years later		9,162										
Estimate of net ultimate claim incurred		9,162	12,358	25,980	14,323	18,106	31,061	59,691	103,236	169,002	**220,048**	
Cumulative claim payments to date		(8,679)	(11,936)	(24,725)	(13,324)	(16,247)	(26,602)	(42,869)	(68,419)	(102,174)	**(75,752)**	
Net unpaid claims	1,953	483	422	1,255	999	1,859	4,459	16,822	34,817	66,828	**144,296**	**274,193**
Add: Trisura Warranty unpaid claims	-	-	-	-	-	-	-	-	-	-	**(77)**	**(77)**
Net undiscounted liabilities for incurred claims	1,953	483	422	1,255	999	1,859	4,459	16,822	34,817	66,828	**144,219**	**274,116**
Effect of discounting	(60)	(27)	(28)	(105)	(69)	(149)	(452)	(1,682)	(3,343)	(5,985)	**(10,877)**	**(22,777)**
Effect of the risk adjustment for non-financial risk	201	45	43	123	83	156	414	1,803	3,191	6,775	**12,960**	**25,794**
Total net liabilities for incurred claims	2,094	501	437	1,273	1,013	1,866	4,421	16,943	34,665	67,618	**146,302**	**277,133**

Note 23 – Risk management (Continued)

Reconciliation to Note 21 Roll-forward of net liability for insurance contracts showing LIC:

	Note	**Estimates of the present value of future cash flows**	**Risk adjustment**	**Total**
Insurance contract liabilities - LIC	*21*	**1,841,713**	**227,395**	**2,069,108**
Reinsurance contract assets - AIC	*22*	**(1,590,376)**	**(201,599)**	**(1,791,975)**
Total net liabilities for incurred claims	*23.1(e)*	**251,337**	**25,796**	**277,133**

23.2 Credit risk

Credit risk is the risk that a party to a financial instrument will fail to discharge an obligation and cause the Company to incur a financial loss. Credit risk arises mainly from investments in bonds and short-term securities, and balances receivable from insurance brokers and reinsurers.

For fixed income securities, the Company manages its credit risk by placing limits on its exposure to a single counterparty, by reference to the credit rating of the counterparty or based on the collateral supporting the counterparty risk. Management also limits its aggregate fixed income securities credit risk by placing limits on aggregate values of securities at different credit rating levels. Management monitors credit quality of its fixed income securities on an on-going basis through its reviews of the investment portfolio.

For Premiums receivable, which form a component of the LRC, the Company uses insurance brokers, managing general agents, and program administrators as intermediaries for the distribution of its product offerings and is therefore subject to the risk that these intermediaries fail to remit the premiums they have collected on its behalf. The Company primarily deals with intermediaries with which it has entered into a contract that details, among other things, the intermediary's responsibilities and payment obligations. These intermediaries are typically regulated and licensed by insurance regulators. Further, the Company monitors accounts receivable and follows-up all past due amounts to ensure satisfactory collection arrangements are in place.

For balances receivable from reinsurers, which form a component of the Reinsurance Contract Assets, the Company applies its reinsurance risk management policy to manage the associated credit risk. The Company is ultimately at risk on the limits of coverage provided under its product offerings, regardless of whether it has ceded a portion of this exposure to reinsurers. If a reinsurer is unwilling or unable to satisfy its obligations, the Company does not have the right to correspondingly reduce its claims payment obligations. The Company's reinsurance is well diversified and controls are in place to manage exposure to reinsurance counterparties.

The Company uses both licensed and unlicensed reinsurers. When using licensed reinsurers, the Company generally uses those with an A.M. Best credit rating of A-, and management monitors these ratings on a regular basis. If the reinsurer has an A.M. Best rating of below A- an agreed upon level of collateral is provided. Furthermore, the Company's reinsurance risk management policy places limits on the participation of individual reinsurers in the Company's reinsurance arrangements. These participations and limits are reviewed regularly.

When the Company uses an unlicensed or unrated reinsurer an agreed upon level of collateral is required, generally in the form of a custodial account secured under a reinsurance security agreement, a letter of credit or other forms of security acceptable to the Company.

Derivative assets and other assets are monitored with reference to the credit quality of the counterparty, and an impairment allowance is made if deemed appropriate.

The nature of the Company's exposure to credit risks and its objectives, policies and processes used to manage and measure the risks have not changed from the previous period.

Note 23 – Risk management (Continued)

a) *Maximum exposure to credit risk of the Company*

The following table sets out the Company's maximum exposure to credit risk related to financial instruments. The maximum credit exposure is the carrying value of the asset net of any allowances for losses.

As at	December 31, 2023	December 31, 2022
Cash and cash equivalents, and short-term securities	**611,516**	406,368
Fixed income	**675,195**	582,729
Accrued investment income	**6,929**	5,358
Reinsurance contract assets - AIC	**1,791,975**	1,304,631
Derivative assets	**11,959**	15,959
Other assets	**8,861**	15,980
	3,106,435	2,331,025

b) *Concentration of credit risk of the Company*

Concentrations of credit risk can arise from exposures to a single debtor, a group of related debtors or groups of debtors that have similar risk characteristics, for example they may operate in the same or similar industries. The following table provides details of the carrying value of fixed income securities by industry sector:

As at	December 31, 2023	December 31, 2022
	Fixed income	Fixed income
Financial	**229,844**	184,825
Government	**79,450**	83,023
Industrial	**54,732**	49,967
Real estate	**50,999**	40,264
Energy	**50,211**	42,371
Telecom services	**45,135**	37,387
Automotive	**39,875**	35,504
Consumer staples	**31,729**	33,745
Consumer discretionary	**30,891**	26,114
Power and pipelines	**20,139**	17,905
Utility	**17,501**	11,437
Other	**24,689**	20,187
Total credit risk exposure	**675,195**	582,729

Note 23 – Risk management (Continued)

c) Asset quality on financial assets

The following table summarizes the credit ratings for fixed income securities and cash equivalents:

As at	December 31, 2023	December 31, 2022
Fixed income securities – underlying items		
AAA	**43,372**	64,296
AA	**79,398**	68,407
A	**261,909**	199,308
BBB	**244,683**	198,583
Below BBB	**45,833**	52,135
Total	**675,195**	582,729
Cash equivalents		
R-1 (high)	**51,775**	19,883
R-1 (medium)	**-**	5,000
	726,970	607,612

d) Recoverable from reinsurers

The following table shows a breakdown of the Reinsurance contract assets (which includes reinsurance payable), and corresponding collateral held, by AM Best rating of the reinsurers:

As at	December 31, 2023		December 31, 2022	
AM Best rating	Reinsurance contract assets	Collateral held (1)	Reinsurance contract assets	Collateral held (1)
A++	**160,009**	**-**	84,717	2,792
A+	**783,430**	**31,274**	637,382	128,983
A	**298,578**	**114,010**	248,508	91,611
A-	**345,585**	**65,683**	193,445	62,750
B++	**76,747**	**77,311**	103,360	99,726
Below B++	**17,997**	**19,797**	3,945	6,963
Unrated	**321,243**	**369,318**	256,442	367,491
	2,003,589	**677,393**	1,527,799	760,316

(1) Collateral held excludes certain forms of collateral for a total of $8,876 received after December 31, 2023 (December 31, 2022 - $79,334).

Note 23 – Risk management (Continued)

23.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk may arise from a number of potential areas including, for example, duration mismatch between assets and liabilities.

Generally, the Company's financial liabilities are settled by delivering cash and it is able to rely on the cash flow generated from its operations to satisfy its liquidity requirements, which are primarily operating expenses and claim payments.

By their nature, the timing and quantum of claims payments are subject to significant uncertainty and are estimated actuarially as set out in Note 3.1(b). Although the Company has reinsurance treaties in place under which a portion of the claims payments may be recovered, including by way of set off against premiums payable to the reinsurers, such recoveries usually follow the making of payments and often delays of a number of months can occur. This timing difference between gross cash outflows and expected reinsurance recoveries gives rise to liquidity risk. Hence the Company must have access to sufficient liquid resources to fund gross amounts payable when required.

To manage its liquidity requirements, the Company maintains a minimum balance of cash and cash equivalents, and short-term securities and a highly rated, highly liquid investment portfolio. The Company's investment policy sets out credit quality criteria and has limits on single issuer exposures. In addition, the investment policy stipulates average duration targets.

The following tables set out the Company's financial assets and liabilities by contractual maturity, and summarizes the maturity profile of groups of insurance contracts issued that are liabilities and reinsurance contracts that are assets of the Company.

As at December 31, 2023	**Up to 1 year**	**1 to 5 years**	**Over 5 years**	**No specific maturity**	**Total**
Cash and cash equivalents, and short-term securities	**44,275**	**-**	**-**	**559,741**	**604,016**
Investments	**101,168**	**436,720**	**168,432**	**183,837**	**890,157**
Other financial assets	**36,654**	**15,050**	**-**	**-**	**51,704**
Reinsurance contract assets - AIC	**1,010,528**	**698,680**	**82,767**	**-**	**1,791,975**
Financial and insurance assets	**1,192,625**	**1,150,450**	**251,199**	**743,578**	**3,337,852**

As at December 31, 2022	Up to 1 year	1 to 5 years	Over 5 years	No specific maturity	Total
Cash and cash equivalents	24,883	-	-	381,485	406,368
Investments	39,094	373,716	190,098	162,467	765,375
Other financial assets	53,178	5,575	1,319	-	60,072
Reinsurance contract assets - AIC	705,852	529,542	69,237	-	1,304,631
Financial and insurance assets	823,007	908,833	260,654	543,952	2,536,446

As at December 31, 2023	**Up to 1 year**	**1 to 5 years**	**Over 5 years**	**No specific maturity**	**Total**
Financial liabilities	**96,713**	**-**	**-**	**23,352**	**120,065**
Loan payable	**-**	**75,000**	**-**	**-**	**75,000**
Insurance contract liabilities - LIC	**1,151,710**	**814,663**	**102,735**	**-**	**2,069,108**
Financial and insurance liabilities	**1,248,423**	**889,663**	**102,735**	**23,352**	**2,264,173**

Note 23 – Risk management (Continued)

As at December 31, 2022	Up to 1 year	1 to 5 years	Over 5 years	No specific maturity	Total
Financial liabilities	38,947	855	-	22,476	62,278
Loan payable	-	75,000	-	-	75,000
Insurance contract liabilities - LIC	801,525	621,723	87,169	-	1,510,417
Financial and insurance liabilities	840,472	697,578	87,169	22,476	1,647,695

23.4 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk includes currency risk, interest rate risk and other price risks such as equity price risk.

a) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company faces currency risk as a result of having operations primarily in the United States and Canada and therefore has exposure to currency risk arising from fluctuations in exchange rates of the Canadian dollar against the United States dollar. The Company also has currency risk as a result of having investments in the Company's Canadian operations denominated in foreign currencies. The foreign currency positions of the Company are monitored regularly and the Company uses derivatives throughout the year to manage foreign exchange risks where appropriate.

i) Exposure to currency risk

The Company manages its currency risk through its investment policy which considers duration of investments held as well as asset liability matching.

The following table summarizes the net currency exposure of Canadian domiciled entities categorized by major currency. The balances in the table below are presented in the foreign currency indicated:

	USD		**EUR**		**GBP**		**BRL**	
As at December 31,	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
Cash and Investments	**132,912**	91,028	**1,498**	2,173	**2,406**	5,621	**4,411**	3,772
Less: foreign-currency derivatives, notional amount	**(97,664)**	(85,632)	**(1,477)**	(1,561)	**(2,349)**	(5,455)	-	-
Total net exposure	**35,248**	5,396	**21**	612	**57**	166	**4,411**	3,772

The following table summarizes the carrying value of net assets of US domiciled entities in their functional currency of USD.

	USD	
As at December 31,	**2023**	2022
Consolidated net assets of: US domiciled entities	**205,503**	182,880

ii) Sensitivity to currency risk

	Impact on comprehensive income and shareholders' equity			
As at December 31,	**2023**	2022	**2023**	2022
Sensitivity factor	10% increase in CDN versus USD		10% decrease in CDN versus USD	
USD investments supporting Canadian domiciled entities	**(3,114)**	(488)	**3,428**	537
Consolidated net assets of subsidiaries	**(19,624)**	(17,986)	**21,601**	19,793

Note 23 – Risk management (Continued)

b) Interest rate risk

Interest rate risk is the potential for financial loss resulting from changes in interest rates. Fixed income investments, and preferred shares are subject to interest rate risk although, in the case of fixed income investments, to the extent they are held to maturity, the risk is limited to the reinvestment yield being different from the original yield to maturity. The fair value of bonds changes inversely with changes in market rates of interest, with greater impact to bonds with longer durations. The Company's discounted Insurance contract liabilities - LIC and Reinsurance contract assets - AIC is also subject to interest rate risk.

In respect of insurance or reinsurance contract assets or liabilities for remaining coverage, the Company expects that the time between providing each part of the coverage and the related premium due date is no more than a year apart, and so the time value of money is not required to be taken into account. In respect of insurance or reinsurance contract assets or liabilities for incurred claims, if cash flows are expected to be paid or received more than one year from the date the claims are incurred, then the insurance or reinsurance contract liability or asset would be adjusted using a discount rate updated at end of each reporting period, resulting in the balance being sensitive to interest rate movements.

The Company manages its interest rate risk through its investment policy which considers duration of investments held as well as asset liability matching.

As at December 31, 2023

Sensitivity factor	**Fixed income (including preferred shares)**	**Reinsurance contract assets**	**Insurance contract liabilities**	**Impact on profit before tax**	**Impact on equity**
100 basis point increase in the yield curve [1]	**(23,433)**	**(25,294)**	**29,759**	**(18,968)**	**(14,303)**
100 basis point decrease in the yield curve [1]	**23,433**	**26,318**	**(30,988)**	**18,763**	**14,145**

As at December 31, 2022

Sensitivity factor	Fixed income (including preferred shares)	Reinsurance contract assets	Insurance contract liabilities	Impact on profit before tax	Impact on equity
100 basis point increase in the yield curve [1]	(23,586)	(19,467)	23,281	(19,772)	(14,937)
100 basis point decrease in the yield curve [1]	23,720	20,285	(24,067)	19,937	15,102

(1) Assumes parallel shift in the yield curve, and all other variables remain constant.

c) Equity price risk

Equity price risk is the uncertainty associated with the valuation of financial assets arising from changes in equity markets.

The Company's exposure to equity price risk is managed and mitigated through its investment policy which sets out maximum exposures to equities at aggregate and per issuer levels as well as requiring diversification across different industry sectors.

As at December 31,	**2023**	2022
Sensitivity factor	**Impact on net income [1]**	
10% increase in equity prices [1]	**5,196**	5,034
10% decrease in equity prices [1]	**(5,196)**	(5,034)

(1) The methodology used to calculate the change is based on 10% of the fair value of the equities (excluding preferred shares and any funds which hold predominantly fixed income securities), net of tax, at the Statement of Financial Position dates.

Note 24 – Benefits

The Company has established and contributes to a number of group retirement savings plan arrangements under which the Company makes contributions. Contributions are charged to Other operating expenses and are recognized as incurred.

Note 25 – Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any executive officers or directors of the Company.

The following transactions were carried out with key management personnel:

For the years ended December 31,	**2023**	2022
Salaries and other employee benefits	**3,804**	2,907
Share based payments	**(1,432)**	1,983

For 2023, the share based payments amount is a recovery due to movement in the underlying share price.

Note 26 – Share based compensation

26.1 Equity-settled stock options

The Company currently administers a stock option plan. Under the stock option plan, the exercise price of each stock option will be established at the time that the option is granted. It is expected that the vesting period will normally be 20% per year over five years and the expiry date of stock options granted will not exceed ten years, however in some instances the vesting period may differ.

The following is a continuity schedule of stock options outstanding as at December 31, 2022:

	December 31, 2023		December 31, 2022	
	Number of options	**Weighted average exercise price (in dollars)**	Number of options	Weighted average exercise price (in dollars)
Outstanding, beginning of year	**1,541,639**	**14.83**	1,501,916	12.47
Exercised during the year	**(77,798)**	**7.34**	(145,141)	10.96
Granted during the year	**134,237**	**31.85**	184,864	30.95
Outstanding, end of year	**1,598,078**	**16.62**	1,541,639	14.83

As at December 31, 2023, the outstanding stock options consist of the following:

Exercise price per share (in dollars)	**Number of options outstanding**	**Average remaining contractual life (in years)**	**Number of options exercisable**
33.13	28,437	9.87	-
31.51	105,800	9.24	-
30.95	184,864	8.19	36,973
37.99	30,000	7.46	12,000
29.38	181,191	7.14	69,708
21.99	80,200	7.01	20,200
12.56	319,528	6.15	173,216
7.16	40,000	5.63	32,000
7.31	32,000	5.21	-
6.77	243,236	5.16	179,048
6.42	40,000	4.88	40,000
6.09	312,822	3.64	312,822

Note 26 – Share based compensation (Continued)

As at December 31, 2022, the outstanding stock options consist of the following:

Exercise price per share (in dollars)	Number of options outstanding	Average remaining contractual life (in years)	Number of options exercisable
30.95	184,864	9.19	-
37.99	30,000	8.46	6,000
29.38	181,191	8.14	32,540
21.99	80,200	8.01	200
12.56	325,796	7.15	106,328
7.16	40,000	6.63	24,000
7.31	64,000	6.21	-
6.77	269,588	6.16	141,212
6.42	40,000	5.88	20,000
6.09	326,000	4.64	326,000

As at December 31, 2023, 875,967 (December 31, 2022 – 656,280) equity-based stock options were vested. As at December 31, 2023, the Company had recorded $4,725 (December 31, 2022 – $3,599) in share reserve related to the options in the contributed surplus balance of the Consolidated Statements of Financial Position. For the year ended December 31, 2023, the Company recorded $1,266 (December 31, 2022 – $1,370) of expense related to the options, in Other operating expenses. The fair value of the options issued were determined using the Black-Scholes option pricing model. Inputs to the model include expected volatility, option life and risk free rate. The volatility estimate was based on the historical volatility of the Company's stock price. The weighted average fair value of stock options issued in 2023 at the measurement date was $9.71 (in dollars) (December 31, 2022 – $7.13 (in dollars)).

26.2 Cash-settled stock options

As at December 31, 2023, 187,480 options were outstanding which had been issued to officers of the Company by the board of directors as part of a cash-settled share based payment plan (December 31, 2022 –187,480), with a vesting period of 20% per year over five years, and an expiration date of ten years. As at December 31, 2023, 180,432 options were vested (December 31, 2022 – 128,536). As at December 31, 2023, the Company had recorded $5,198 (December 31, 2022 – $7,203) in liabilities related to the options in the Consolidated Statements of Financial Position. For the year ended December 31, 2023, the Company recorded $2,006 of gain (December 31, 2022 – $404 expense) related to the options, in Other operating expenses. The fair value of the options issued were determined using the Black-Scholes option pricing model. Inputs to the model include expected volatility, option life and risk free rate. The volatility estimate was based on the historical volatility of the Company's stock price. As at December 31, 2023, the weighted average fair value of share options issued was $27.84 (in dollars) (December 31, 2022 – $39.23 (in dollars)).

26.3 Cash-settled DSUs

DSUs are awarded to certain directors of the Company at the market value of the Company's common shares at the grant date. These DSUs are awarded in lieu of directors fees at the option of the Directors. Each DSU entitles the holder to receive an amount equivalent to the value of a common share at settlement. As at December 31, 2023, 133,665 (December 31, 2022 – 120,637) DSUs were awarded to directors who are not employees of the Company or one of its affiliates.

The following table shows the movement in the number of DSUs issued during the year:

For the years ended December 31,	**2023 (in units)**	2022 (in units)
Opening balance	**120,673**	109,120
Granted during the year	**12,992**	11,553
Ending balance	**133,665**	120,673

Note 26 – Share based compensation (Continued)

As at December 31, 2023, no units had been exercised (December 31, 2022 – nil) and $4,545 (December 31, 2022 – $5,465) had been recorded as liabilities. The liability was measured based on the fair value of the common shares of the Company at December 31, 2023. For the year ended December 31, 2023, the Company recorded $931 of gain (December 31, 2022 – $261 of expense) related to the DSUs in Other operating expenses.

26.4 Equity-settled RSUs

The Company awards certain employees RSUs based on the fair value of the Company's common shares at the grant date. These RSUs will typically vest over three years, however in some instances the vesting period may differ.

The following table shows the RSUs issued and outstanding as at December 31, 2023 and 2022:

As at	December 31, 2023 (in units)	December 31, 2022 (in units)
Outstanding, beginning of year	**130,669**	81,034
Vested during the year	**(69,422)**	(39,312)
Cancelled during the year	**(2,386)**	(2,365)
Granted during the year	**113,364**	91,312
Outstanding, end of year	**172,225**	130,669

During the year ended December 31, 2023, compensation expense of $2,970 (December 31, 2022 – $2,345) related to the RSUs was recorded in Other operating expenses.

Note 27 – Additional information on the Consolidated Statements of Cash Flows

The following table shows the changes in working capital for the years ended December 31, 2023 and December 31, 2022:

For the year ended December 31,	2023	2022
Insurance contract liabilities	**604,848**	725,227
Leases and accrued liabilities	**46,387**	(69,092)
Income taxes	**18,842**	10,687
Other operating liabilities	**398**	3,684
Other operating assets	**(647)**	(30,295)
Reinsurance contract assets	**(475,790)**	(557,592)
	194,038	82,619

Note 28 – Commitments

The Company has entered into commitments related to the funding of investments. These commitments are generally payable on demand based on the funding needs of the private equity investments and subject to the terms and conditions of each limited partnership agreement.

As at December 31, 2023, the unfunded commitments for the Company are $22,666 (December 31, 2022 – $28,497).

CORPORATE INFORMATION

DIRECTORS

George Myhal[1]
Chair of the Board

Paul Gallagher[2]
Corporate Director

Barton Hedges[3]
Corporate Director

Greg Morrison
Corporate Director

Robert Taylor
Corporate Director

David Clare
Corporate Director

Janice Madon
Corporate Director

Anik Lanthier
Corporate Director

1. Chair of the Governance and Compensation Committee
2. Chair of the Audit Committee
3. Chair of the Investment and Risk Committee

OFFICERS

David Clare
President and Chief Executive Officer
Chief Investment Officer

David Scotland
Chief Financial Officer

James Doyle
Chief Risk Officer

Chris Sekine
President and Chief Executive Officer
Trisura Guarantee Insurance Company

Michael Beasley
President and Chief Executive Officer
Trisura Specialty Insurance Company

CORPORATE OFFICE

Bay Adelaide Centre
333 Bay Street, Suite 1610
Toronto, Ontario
M5H 2R2
Telephone: (416) 214-2555
Facsimile: (416) 214-9597

REGISTRAR AND TRANSFER AGENT

TSX Trust Company
301 - 100 Adelaide Street West
Toronto, ON
M5H 4H1
Telephone: (416) 682-3860 or
toll free within North America
(800) 387-0825
Facsimile: (888) 249-6189
Website: *www.tsxtrust.com*
E-mail: *shareholderinquiries@tmx.com*

EXCHANGE LISTING

TSX Stock Symbol: TSU

This page intentionally left blank

This page intentionally left blank

This page intentionally left blank

TRISURA®